ACE YOUR CASE®:
CONSULTING INTERVIEWS

CRACKING A CASE QUESTION ★ HOW TO EMPLOY FRAMEWORKS ★ THINK LIKE A RECRUITER ★ INTERVIEW TIPS: DAMAGE CONTROL
The WetFeet Methodology

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<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Case Interviews at a Glance</td>
</tr>
<tr>
<td>2</td>
<td>Case Interview Primer</td>
</tr>
<tr>
<td>3</td>
<td>The Bottom Line</td>
</tr>
<tr>
<td>4</td>
<td>The Case Interview Process</td>
</tr>
<tr>
<td>5</td>
<td>What's a Case Interview?</td>
</tr>
<tr>
<td>6</td>
<td>The Bottom Line</td>
</tr>
<tr>
<td>7</td>
<td>The Case Interview Process</td>
</tr>
<tr>
<td>13</td>
<td>The WetFeet Way</td>
</tr>
<tr>
<td>14</td>
<td>How to Crack a Case Question</td>
</tr>
<tr>
<td>15</td>
<td>A Successful Case Interview, from Pitch to Wrap-Up</td>
</tr>
</tbody>
</table>

**Ace Your Case®:**
Consulting Interviews

4th Edition
CONTENTS

19 CASE INTERVIEW PREP

20 Field Guide to Case Types

23 Frameworks: Logical Approaches to Case Analysis

34 Pocket Guide to Case Interview Language

37 THE RECRUITER’S PERSPECTIVE

38 From the Recruiter’s Side of the Table

38 The Judge’s Scorecard

40 Polishing Your Performance

43 CASE EXAMPLES

44 Good Cases for Good Consultants-to-Be

44 Suggested Answers

61 What to Do When Things Go Wrong

63 ADDITIONAL RESOURCES

64 Recommended Reading

65 WetFeet Resources

WetFeet
Case Interviews at a Glance
AT A GLANCE

WHY CASE INTERVIEWS?
- To test your analytical and communication abilities
- To see how resourceful and creative you can be
- To test how you perform under pressure

MAJOR CATEGORIES OF CASE QUESTIONS
- Market sizing
- Business operations
- Business strategy
- Brainteasers

USING FRAMEWORKS
- Select the right framework to help organize your thought process, but…
- Don’t rely on the framework itself to answer the case question

KEY FRAMEWORKS AND TOOLS
Basics:
- Internal/External
- Cost/Benefit
- Supply/Demand
- Fixed Cost/Variable Cost
- Marginal Cost Analysis
- 2x2 Matrix

Add-Ons:
- Strengths, Weaknesses, Opportunities, Threats (SWOT)
- Company, Customers, and Competition (3Cs)
- Product, Price, Promotion, and Place (4Ps)

Luxury Class
- Porter’s Five Forces
- Firm Analysis
- Cultural, Administrative, Geographic, Economic (CAGE) Analysis
- Financial Analysis

WHAT CONSULTING RECRUITERS ARE LOOKING FOR
- Analytical thinking
- Strong sense of organization and logic
- Enthusiasm
- Business intuition and understanding of basic business issues
- Calm and poise under pressure

HOW TO SUCCEED IN A CASE INTERVIEW
- Stay calm and take time to think
- Ask follow-up questions to clarify issues
- Think out loud
- Stay focused on the issue as hand; don’t wander
- Move toward a recommendation, not just an answer
- Pay attention to the interviewer’s reactions
WHAT’S A CASE INTERVIEW?

A POPULAR sports manufacturing company has maintained its position as the number-two maker of automobile bike racks for the past ten years. But recently, sales have fallen even further behind those of its main competitor, even though the company’s products are priced lower and it maintains strong brand loyalty through its creative and offbeat marketing campaigns. What’s going on?

Faced with this question in an interview, would you know how to respond? How are you supposed to answer a question like this in a one-hour interview? Don’t consultants spend months solving problems like these? Is the interviewer crazy?

No, the interviewer is not crazy. And, yes, consultants do spend months getting to the bottom of business puzzles like these. Still, you’ll be expected to address similar questions if you plan to interview for a job in consulting. This style of questioning is called the case interview, and if you plan to advance as a likely candidate for a consulting firm, you’d better get comfortable fielding case questions. No matter how stellar your educational credentials or impressive your professional experience, a weak answer on a case interview will sink your consulting career before it gets started.

Simply put, a case question is a hypothetical business problem. Through the course of addressing the problem, you’ll be expected to identify factors causing the problem and propose a plausible solution as well—all in the space of that one-hour interview. Sound like a challenge? It is.

BUT, WHY?

Consulting firms use the case interview as a direct test of a candidate’s suitability for the job. Your ability to navigate a case question during the pressure of a job interview tells the recruiter a lot about you: Do you understand business principles? Are you poised under pressure? Can you communicate well? Are you analytical, but also creative? Can you present well to clients or colleagues? These are the primary skills required by consultants to do their work.

If the case interview takes place in the first round, you must do well to be invited back for a second interview—which will probably include more cases. Some hiring firms even give the candidates case questions in advance—not so they can study, but so they can prepare presentations to give to a hiring committee.

You’ll have to exhibit mastery over each case presented to you before getting an offer (and that’s if you’ve also impressed throughout the interview process that you’re a hard worker with valid experience and a great personality).

But don’t worry. By reading this guide, you’re taking the first step to mastering the case interview. It’s a specific skill that can be learned—and we’re here to teach you.

TIP

Mastering case questions is all about the analytical process, not necessarily providing the correct answer.

WHAT DO I NEED TO KNOW?

Lesson one: You can’t fake your way through a case interview. You need to know your stuff, starting with a basic understanding of business fundamentals and analytical skills. If those are firmly in place, you’re ready to jump in. If not, take some time to review those subjects so you don’t get lost as you move through this guide. After all, mastering case questions is all about the process, not the details, so that’s what you need to be focusing on while you learn these skills.

Lesson two: You don’t actually need to provide the correct answer. Whether the question is about golf balls, light bulbs, or manhole covers, the goal is to come up with a realistic answer based on reasonable assumptions and a methodology that shows you understand some key drivers behind the problem and how they might relate to a client’s future business situation.
By asking you case questions, consulting firms are really trying to see if you have the ability to structure a problem and methodically work through it. The benefit to you in this situation is that you get a real taste of what consulting work is like, so that you can evaluate whether you really want to do this kind of work.

HOW DO I USE THIS BOOK?
The process of answering a case question is really a dialogue between you and the interviewer. To truly get it right, you’ll be asking the interviewer a series of follow-up questions to get more information or clarify murky points.

To get you prepared to face a case scenario, we’ve developed a dialogue-based teaching model that will walk you through sample cases in a realistic way. Each of the seven sample case questions includes follow-up dialogue between the candidate and the recruiter, along with some narrator commentary to provide background information and details. For additional practice, consult WetFeet’s companion to this book, Ace Your Case® II: Mastering the Case Interview. For even more practice on specific types of case questions, follow up with Ace Your Case® III: Market-Sizing Questions, Ace Your Case® IV: Business Strategy Questions, and Ace Your Case® V: Business Operations Questions.

But before diving into the sample case questions, we’ll teach you our particular method for thoroughly working through a case problem—it’s called the WetFeet Way. We’ll also walk you through the various frameworks for answering case questions; they’re essentially off-the-shelf organizational tools to help you get started in addressing a messy business problem.

You’ll get the most benefit from this book if you attempt to answer each of the sample case questions on your own before moving ahead to read the answer. That way, you can correct your own answers and identify which particular areas you need to focus on to master the case question. Keep a notebook handy so you can get into the habit of taking notes and jotting down your thought process. Using a notebook to write down thoughts or do equations is perfectly acceptable during a case interview.

In addition to your private practice, it’s crucial that you get accustomed to voicing your thought process out loud. Try partnering with a friend or colleague to run through the sample cases orally before reading through the answers.

Practice the methods we’ll be teaching you in as many different ways as you can before facing the actual interview. By then, you will have truly mastered the case interview. Good luck!

THE BOTTOM LINE
› LIKE IT OR not, if you’re planning to get a job in consulting, you’ll have to learn how to handle the case interview. Although approaches to the case question differ by firm and interviewer, all of them use it as an important tool in selecting and screening out job candidates. Indeed, you may have to clobber ten or more cases on the way to landing a job with a major management consulting organization. Fortunately, by studying the case process and honing your case interview skills through practice, you’ll soon be able to amaze friends and family with your frameworks and graph-drawing skills. Even better, when that dreaded moment arrives and the interviewer pops the question, you’ll be more than up for it.

THE CASE INTERVIEW PROCESS
› SUCCEEDING IN a consulting case interview involves more than just providing a good answer to the case question. Some firms may not even serve you a case question until the second or third round of interviews. So let’s spend some time getting acquainted with the overall consulting interview process and what
consulting recruiters are looking for beyond your analytical abilities.

The typical management consulting interview consists of several parts. At a minimum, these include an introductory “get to know you” conversation, a resume review/prove-to-me-that-you’re-qualified Q&A, a case interview question, and a follow-up “what do you want to know about us?” discussion.

Although the case question inspires the most terror, the other portions of the interview are every bit as important. Insiders tell us that many candidates, even at the best schools, have already bombed the interview long before the case question slaps them in the face. The next few sections should help you navigate the overall consulting interview process and start to impress your interviewer before you show off your smarts with the case question.

The case question inspires the most terror, but the rest of the interview is just as important. Many candidates, even at the best schools, bomb the interview long before the case question slaps them in the face.

PART 1: GETTING TO KNOW YOU

“Hey! How’re you doing? What a great day for a consulting interview!” It may sound like meaningless banter, but there’s method to it. The interviewer is checking you out. First question in the recruiter’s mind: Is this candidate alive? If not, the interview is likely to drag. Furthermore, there’s a lot more to a consulting career than analytical skills and evaluating business problems. Consultants face big executives in large organizations and need the social graces to match that situation. Can you maintain your end of a conversation? Can you make interesting small talk at a party as you mingle with potential clients? The other side of the coin is that consultants almost always work in teams, and, even if you ace the case portion of the interview, you still need to come across as a good personality fit for the firm. Your fellow consultants have to like you. Personality fit may seem insignificant now, but once you’re slogging through an 80-hour week to finish an important client presentation, you’ll understand.

If you’re alive—and seem interested, energetic, and excited about the opportunity to interview with Big Consulting Firm—then this is your chance to develop a rapport with your interviewer. Typical questions here may involve the weather, why you decided to attend [fill in your school name], how classes are going, how the job search is progressing, what’s up with the 49ers, and so on. Your goal here should be to show the interviewer that you have an engaging personality, are fun to be around, and would be a valuable addition to the team.

Remedial Interviewing for Would-Be Consultants

Here are a few insider tips about points at which candidates have fallen off a cliff. Take note—you don’t want to be the next statistic!

- Show enthusiasm for the company. How psyched will your Booz recruiter be if he suspects you’re thinking, “Well, I’d really rather get an offer from McKinsey, but they already dinged me.” Yeah, make that two. Ding!

- Practice saying, “I really want to be a consultant—and here are three reasons why…” Oh, and you’d better mean it, too. If you don’t, about 300 other candidates are lined up right behind you, and there’s an excellent chance many of them truly want a spot in the consulting leagues.
• Don’t talk about yourself in a negative manner. You have as much right to be in that interview as any of your classmates, and make sure the interviewer understands that. Self-deprecation won’t get you anywhere in consulting. Nor will kowtowing. If you don’t think you can tell a 30-year veteran at Kraft a thing or two about the cheese market, maybe you shouldn’t sign up for an interview with Kraft when it comes to campus.

• Demonstrate that you’re a fun person. Would you want to go out for beers with a cold fish (even a smart cold fish), much less spend months working together in Indianapolis?

• Be high-energy! Smile! Be excited! Sixty hours per week may not sound so bad right now. But wait until you’ve been at the client site from 7:00 a.m. until 9:00 p.m. every day for the past two weeks, and you have to catch a plane to do it all over again for a different client next week. The interviewer wants people who have the stamina and the desire to put in long, tough hours while living out of a suitcase—and still come up shouting, “Yes, sir! May I have another spreadsheet, please?”

**PART 2: PROVE YOURSELF TO ME**

You’ve had a clever chat about the weather; you’ve told a good story about why you love your alma mater more than your own mother; and now it’s time for the recruiter to pull out your resume. “So, tell me about the work you did for ….” What’s going through the recruiter’s mind is something along the lines of, “What’s this guy done that shows he’s smart enough to handle consulting work?” To keep sailing straight toward that case question, you’ll need to demonstrate that you’ve had significant work experience (or a reasonable facsimile), can work well with others, have the aspiration to lead, and have the intellectual horsepower to do the heavy lifting required of consultants.

What, exactly, impresses the hard-nosed consulting recruiter who has seen it all—and likely, done it all—before (or at least advised a client on how to do it)? Here are several tips gleaned from WetFeet’s conversations with management consulting insiders. One word of caution: You’ll want to walk that fine line between providing evidence of your capabilities and seeming like an overbearing braggart.

• Talk about situations in which you assumed a significant leadership role. You might mention the challenges you faced and how you overcame them, or what you learned about yourself as a result of your experience. Just make sure you don’t whine about how your team members didn’t work hard enough to make you look good.

• Your goal should be to demonstrate, with well-articulated examples, that you have the leadership skills of Winston Churchill, the intelligence of Stephen Hawking, and the no-nonsense, high-energy style of a preschool teacher.

• Think of several examples of projects at school, at work, or in an extracurricular setting in which you were challenged and survived with flying colors—dating stories don’t count!

• Prepare for the questions you know are coming. In particular, have a solid, concise explanation of why you want to be a consultant and why you specifically want to work for firm XYZ.

• Be prepared to be asked about anything on your resume. Consultants have a nose for rooting into obscure facts that can turn up pungent information. One of their favorite tricks is to take an item and turn it into a case question (“So, I see you started out in the auto business. Do you think Cerberus can turn around Chrysler?”). Our advice: Think ahead about how each bullet point on your resume can be turned into a compelling (short)
story that demonstrates your aptitude for consulting. If you were the interviewer, what questions would you ask?

- Think of examples in which you had to use consulting-type skills. That doesn’t mean situations in which you charged exorbitant fees for your advice; look for situations in which you had to be highly analytical, or when you were resourceful about identifying hard-to-find information.

**PART 3: HERE COMES THE CASE**

Let’s say you’ve slam-dunked the get-to-know-you and prove-yourself-to-me portions of the interview. Admit it—you’re feeling pretty good, as well you should. Here comes the infamous case interview. Sometimes you’ll get this question from the same interviewer who’s been bouncing around all the high points of your resume. Or you might transfer to another interview room and an entirely different interviewer who’ll serve up “The Question.” Typically, it will begin with something like, “Okay, let’s say you are meeting with the CEO of a large pharmaceutical company. He says to you …” Now it’s time for you to show just how bright and analytical you really are.

The interviewer evaluates you by watching for several things: how you analyze the problem, how you ask for additional details, how you slice through extraneous information to get to the key issues, how you pursue a particular line of thinking and stay with it, how you propose to identify the information that will allow you to solve the problem, and whether you can develop (and present) a particular framework.

For organizing your thoughts and answers to the case question. (You’ll learn more about types of frameworks later in this guide.)

Although this may seem like a daunting assignment at the start, the good news is that there are many ways to prepare yourself for this task. Armed with these strategies, and bolstered by a little practice, you ought to be able to do every bit as well as anybody who’s gone before you. Surprising as it may seem, you may also come to view the case question as the part of the interview where you can really shine!

**TEN THINGS NOT TO SAY IN A CASE INTERVIEW**

1. “That’s not my strong point. Let’s talk about Porter’s Five Forces instead.”
2. “The answer is 10,000!”
3. “Can I plead the Fifth?”
4. “Just give me a minute to check the notes I’ve scribbled on the palm of my hand.”
5. “I don’t have a clue.”
6. “Wait, what were we talking about?”
7. “If I tell you, I’ll have to kill you.”
8. “The questions the interviewer at [other consulting firm’s name here] asked were much more challenging.”
9. “Let’s talk about your personal life.”
10. “Good thing I was coached by the experts at WetFeet!”

**DO FIRMS APPROACH THE CASE INTERVIEW DIFFERENTLY?**

Different consulting firms prefer different types of case questions—and different types of answers. That makes perfect sense, as some firms concentrate on strategy, some on operations, some on finance, and so on. Large firms with organized campus interview programs probably have a list of predetermined cases and interviewers trained on how to use them before they show up at the career office. A smaller firm or one interviewing an experienced candidate may choose questions on an ad hoc basis.
As much as a firm may try to set a tone for everyone to follow, the individual recruiters have their own personalities, their own styles, and their own pet peeves. You can study what you think a Bain interview will be like, then discover that your interviewer prefers to do things his own way. If you get an interviewer who’s a jerk or who’s having an off day, keep your cool, do your best, and remember as you leave that your social life will be a lot more exciting over the next few months than his will. (By the way, there is such a thing as the stress interview, where the interviewer is intentionally rude and plays mind games with you just to see how you react. Keep your cool to pass the interview and then have the pleasure of rejecting the firm. After all, do you really want to work at a place that treats people that way?)

**Degrees of Difference: Interviewing Undergrads vs. MBAs**

Interviewers usually approach undergrads differently than MBAs or other advanced-degree candidates. As you might expect, undergraduate case questions are usually less complex, less focused on specific business issues, and more focused on the skills that will be required of research analysts (or whatever the firm calls its undergraduate hires). In particular, the interviewer will often push the candidate to demonstrate resourcefulness, creativity in thinking about a problem, and the ability to stick with a problem and get to the bottom of it. So if you’re an undergrad, don’t freak out when you read through the frameworks section of this book; your interviewer won’t expect you to have mastered MBA-level concepts.

By contrast, most MBA students have had cases in their classes, so they should understand the frameworks and how to apply them. That’s what business school is all about. If you’re an MBA, start studying and be prepared for anything. You’ll be expected to have this stuff down pat.

If your advanced degree is in another field or if you’ve been out of school for a few years (or more), the interviewer will be looking for the unique expertise and specialized knowledge you can bring to the firm. The questions you’re asked will likely be tailored to your specific experience.
The WetFeet Way

How to Crack a Case Question .. 14
A Successful Case Interview, from Pitch to Wrap-Up .......... 15
HOW TO CRACK A CASE QUESTION

WHAT IS THE INTERVIEWER ASKING?
Listen carefully, and take notes if necessary. Make sure you know what the interviewer is seeking. It’s important to keep this objective in mind as you work your way through the dense forest of detail that may be coming your way. Stick to the question, too. If the interviewer asks for two recommendations, you won’t impress her if you give six—you’ll come off as someone who can’t follow directions and who’s likely to get too bogged down in minutia to deliver an organized report to a client.

EVERYTHING THERE?
Determine whether you’ve been given the whole picture. If the question is unclear, it’s probably unclear for a reason. The interviewer may be testing whether you realize that there are missing pieces to the puzzle. Ask your interviewer for clarification. In particular, if there seems to be a gaping hole, ask about it. He may be holding back a key piece of information to see if you ask for it—or if you are paying enough attention to listen for hints. When you hear a hint, a suggestion, or additional information, use it.

THINK BEFORE YOU SPEAK
During an interview, any pause will feel like an eternity, so your impulse will be to blurt out the first things that come to mind. Instead, take a moment to think through your ideas and how to present them. That moment won’t seem long to your interviewer, and it will give you the time to make a stronger impression.

FRAMEWORKS!
Identify a framework, or a combination of frameworks, to help you structure your answer. Be sure to inform your interviewer of how you plan to proceed. Remember, choosing a framework isn’t the goal of the exercise—it’s supposed to help you structure an answer to the question. Your choice of framework won’t impress the interviewer, but your ability to come up with a clear, logical answer will.

EXPLAIN YOUR THINKING METHODICALLY
Work from big to small, starting with the most important issue first, and tell the interviewer why you think that point is so important. If you run out of time partway through, you want to have already delivered your most important insights.

EVALUATE YOUR CASE SO FAR
As you go, think about your answer. Is it something that a business might logically do? Is there another way to approach the problem? Don’t just ask yourself—ask your interviewer if you’re on the right track.

TAKE ACTION
Wrap up your case by briefly summarizing how you’ve approached the problem and noting where you’d go if you had more time. The goal of consulting isn’t just analysis. Usually, a consultant is looking for solid, data-driven recommendations that the client can use.
A SUCCESSFUL CASE INTERVIEW, FROM PITCH TO WRAP-UP

NOW LET’S see the WetFeet Way put into action. Following is a sample interview scenario. Notice how the candidate uses and expands upon all the steps to work through the problem and offer a recommendation.

As you know, a case interview starts out like a regular interview, with a handshake and a smile, a little small talk: “I see you went to Ohio State as an undergrad. How about those Buckeyes?” “Why do you want to work for us?” and so on. These questions are designed to make you feel comfortable and to get a sense for whether you are personable. Then, BAM! The interviewer says, “Okay, how many golf tees are used in Japan in a given year?” Even if you know nothing about golf or Japan, you can answer this question! How? Like this:

Candidate: Well, the market for golf tees in Japan would be related to the number of golfers in Japan. Each golfer would use a few tees every time he plays golf, and how many tees each golfer uses would depend on how many rounds of golf he plays each year.

Interviewer: Yes. So how would you figure out the market size?

Candidate: I’d start with the number of people in Japan, which is less than half the number of people in the U.S., so let’s say 130 million. Golf is really popular there, so I’ll figure that a quarter of the people in Japan play golf. That would make for, let’s see … about 33 million golfers.

Interviewer: And you didn’t need a calculator to do that.

Candidate: No, I didn’t! Okay, so let’s say that these 33 million golfers each play 10 rounds of golf a year, so that’s 330 million rounds of golf. If they use two or three tees each round, then the market would be between 660 million and 990 million. If you need a point estimate, it would be between the two, or about 800 million.

Interviewer: All right. Anything else you want to consider about the market?

Candidate: Well, given that golf is so popular in Japan, there may be more tees out there. Maybe companies have their logos printed on them and give them to customers as gifts, whether or not those customers golf. Maybe people use them for crafts or games; I know there’s an old-fashioned game here similar to Chinese checkers but that uses golf tees instead, and maybe people play that in Japan. And I’m sure a lot of golfers...
lose tees in the bottom of their golf bags, so they have to buy more.

**Interviewer:** I know I’m always losing golf tees. Any other thoughts?

> If the interviewer keeps asking you questions, he’s probably looking for more information. There’s a reason he wants to keep talking about the market for golf tees.

**Candidate:** Well, there are also things that might reduce the annual market. T es are small and easy to stockpile, so golfers may buy a big box every two or three years. In fact, the size of the packaging would influence whether the tees were purchased at about the same rate as they were used.

> The observation about the packaging is a great blinding insight because the number of tees that someone purchases at once may affect how often that person buys tees. Does he buy a gross of them every three years, or four dozen each year? This creates different market dynamics. The interviewer is probably thinking, wow, okay, he gets asked back…unless he screws up the rest.

**Interviewer:** Suppose you’re hired by a sports equipment company with a new type of golf tee that improves the golfer’s accuracy. The company wants to introduce the product in Japan. Where would you start?

> Most case interviews consist of layers. Here, the first layer is the market share question, the second is more strategic. Read on to see one way to solve this question.

**Candidate:** Well, I’d start with an analysis of the firm, but the question asks about product introduction in Japan, so I’d like to know if the firm does business in Japan now?

> Good probe for more information! The candidate is trying to determine WHAT the question is. (Remember our WetFeet mnemonic?) Otherwise, the candidate might have done a pointless analysis of the international market, when the interviewer wants to see how he handles a different issue.

**Interviewer:** Yes, it does.

**Candidate:** All right, then I’d start by looking at the market, especially the product itself. How is this golf tee better than the others on the market? What makes it special?

> Ah, the candidate is checking to make sure that EVERYTHING is there.

**Interviewer:** Studies of golfers show that the improved accuracy helps an average golfer take off two strokes per game.

> Now the candidate is quiet for a moment, to THINK about the issue. It seems so simple: Just charge a premium price and maybe give out samples at prestigious golf clubs. There has to be a twist—but what? The interviewer isn’t giving any hints yet, so the candidate decides to start with a simple 4Ps FRAMEWORK, fully expecting to do more analysis as more information is given out.

**Candidate:** Well, then, we have a product that offers superior performance, and that means the client should charge a premium price for it, promote it through leading golf clubs, and make sure it’s sold at high-end golf shops. But tell me, if the issue is so straightforward, why would the client have hired a consultant?

**Interviewer:** Glad you asked. The company currently outsources the manufacture of wooden tees, but it is concerned that if it outsources the manufacture of the new tee, it puts its intellectual property at risk. The company wants to bring the manufacture of this product in-house.
**Aha! The Twist! The change in the problem.** The candidate might have determined that this was the issue at hand with a little probing early on, but it’s not too late to come up with a good answer.

**Candidate:** All right, then. I’d want to think about the company’s ability to do this, starting with whether it has the resources and capabilities to handle the manufacture. Making the tees would require specialized equipment, and of course it would need space on the factory floor. The company might have to recruit and train workers to do the job. None of those seem particularly difficult for a company that’s already making golf equipment, so I’d want to look at how the manufacturing affects industry and competitive issues.

**Interviewer:** Go on.

**Candidate:** The problem with doing the manufacturing itself is that it reduces the company’s operating flexibility. It will have to take on fixed costs that might make it less nimble when it’s competing. After all, there will be a competitive response; the only issue is when it happens. Would you agree?

**Interviewer:** Yes. Your overview is on track.

**Candidate:** Okay, then. Although I’d need more financial information to be sure of my recommendation, I don’t have that now. So based on what I know so far, here’s what the client should do: It should make the investment in the manufacturing, but only for small volume. If the product proves to be as popular as I think, that demand may rapidly outstrip supply, which will be good news in the near term. At the same time, the client should investigate outsourced manufacturing that can handle the post-introduction surge in demand, giving it flexibility when the demand settles down and competitive products enter the market. It may be able to recoup some of its investment by leasing or selling the equipment to its contractor. Once the product is on the market, the need for secrecy decreases, because the competitors will be able to buy the product and reverse-engineer it, so having the cost flexibility becomes more important. In the long run, the company should put its energies into research and development, because that seems to be the client’s real strength.

**Interviewer:** Thank you for that recommendation. We’re about out of time here, so let me thank you for coming in. I enjoyed meeting you.

**Interviewer:** The interview is over. Time to go home, take off your suit, and celebrate—with a response like this, you’ll have a reason to!
Case Interview Prep

Field Guide to Case Types ............ 20
Frameworks: Logical Approaches
to Case Analysis ....................... 23
Extra Credit ................................ 33
Pocket Guide to Case Interview Language ..................... 34
Ace Your Case®: Consulting Interviews

FIELD GUIDE TO CASE TYPES

❖ IF THERE’S a problem that needs to be solved, it can become a case question. Some interviewers pull cases from their files; others ask candidates about issues they’re working on right now. Some make up case questions from current events, while others look at a candidate’s resume and ask for solutions to problems that may be facing former employers. And some follow fads, generating trendy case questions based on an article in the latest issue of whatever business magazine the interviewer was reading on her last flight.

You’ll have an easier time successfully answering a case question if you can first identify what kind of question it is. What general business principle does it address? At that point, you’ll have a structure in which to start dissecting the various parts of the question.

For the purposes of our discussion, we’ve grouped cases into five general types:

1. **Market Sizing**: determines how big a particular problem is, the potential market for an existing or new product, or how many units might be used in a year. May include calculating the costs and benefits of entering new markets or expanding in existing ones.

2. **Business Operations**: problems relating to running the day-to-day operations of a business. May include human resources, logistics, manufacturing, physical office set-up, IT infrastructure, and related issues.

3. **Business Strategy**: questions focusing on future business strategy, usually at a top level. Issues can include overall branding, growth models, competitor analysis, and so on.

4. **Brainteasers**: puzzles or questions that challenge a candidate’s ability to think creatively.

5. **Other**: questions drawn from a candidate’s resume, from current events, or other sources outside the traditional consulting realm.

Firms specialize in all types of services, so expect questions that match the firm’s expertise. A company that offers its clients financial strategies will ask different questions than one that specializes in operations overhauls. Some firms use one big case that starts by asking candidates to size the market, come up with a strategic direction, and then determine how to adapt the organization’s operations to support the new strategy. Others will want candidates to address just one part of a hypothetical client problem in great depth.

Question categories go in and out of style. For example, brainteaser questions were all the rage in the late 1990s because Microsoft was using them. Then firms realized that brainteasers identified smart people, but not necessarily strong management consultants, so the brainteaser fell by the wayside. That doesn’t mean they won’t make a comeback, nor does it preclude your interviewer still using them. It’s best to be familiar with all question types—be ready for anything.

The next several pages present, in greater detail, examples from each category of consulting case. We also provide tips on what the interviewer is really trying to find out. As you read through these sample questions, think carefully and creatively about how you would respond, and jot down some notes and possible follow-up questions.

MARKET SIZING

What the Interviewer Wants to Know

❖ Are you allergic to numbers?
❖ Can you identify key drivers, make assumptions, and work out a reasonable answer?
❖ How resourceful and clever are you?
Classic Questions
• How many pharmacies are there in the U.S.?
• How much hair coloring is purchased each year in Canada?
• What is the market for hybrid cars likely to be in 15 years?

Business Operations
What the Interviewer Wants to Know
• Do you understand how businesses work internally?
• Do you have a nose for the key issues?
• Can you come up with and present a compelling solution?

Classic Questions
• An airline is flying with only 85 percent of its seats filled. What’s going on?
• A retailer discovers that its customer returns are 15 percent higher than the industry average. Why?

Business Operations Variation 1: Profits Down
What the Interviewer Wants to Know
• Do you understand the basic profit equations and concepts?
• Can you identify and use an appropriate framework?
• Can you interpret the analysis and offer logical recommendations?

Classic Questions
• A book publishing company has noticed a decline in profits in its children’s unit. What’s going on?
• A food processor has a long-term contract to provide a grocery chain with private-label products at a fixed price. How can it increase profitability over the remaining term of the contract?

Business Operations Variation 2: Marketing Problems
What the Interviewer Wants to Know
• Do you understand basic marketing concepts?
• Can you identify and use an appropriate framework?

Classic Questions
• A company has been watching the growing popularity of auto racing and is considering becoming a sponsor. Should it?
• A pharmaceutical company has just received FDA approval for a new weight-loss drug. How should it price and market the product?

Business Strategy
What the Interviewer Wants to Know
• Can you identify key strategic issues for a business and relate them to its core competencies and mission?
• How are you at industry analysis?
• Can you handle the complexity of a full-blown strategy-type case?
• Can you develop recommendations for action based on your analysis?

Classic Questions
• A retailer is thinking about going into the banking business. Should it?
• A large, diversified media company wants to fend off a hostile acquisition bid. What should it do?

Business Strategy Variation 1: New Product Introduction
What the Interviewer Wants to Know
• How do you sort through product strategy issues and market-cannibalization questions?

Classic Question
• An electronics company is thinking about introducing a new video recording platform. How should it go about making its decision?
BUSINESS STRATEGY VARIATION 2: NEW MARKETS

What the Interviewer Wants to Know
- How well do you understand core competencies, business portfolio management, and opportunities for leverage and adding value?
- What are the key tools you look at to evaluate an opportunity?

Classic Questions
- Your client says it wants to begin exporting to India. Should it?
- An Internet service provider is looking at opportunities in traditional media. Should it invest there?

BUSINESS STRATEGY VARIATION 3: MERGER OR ACQUISITION

What the Interviewer Wants to Know
- Can you identify core competencies of a company?
- Can you understand dynamic forces in an industry and analyze opportunities?
- Can you quantify a new opportunity?

Classic Questions
- A women’s clothing retailer is considering buying a men’s clothing chain. Should it go ahead?
- A private equity firm just purchased a century-old garden supply company and wants to restore it to profitability. What should it do?

BUSINESS STRATEGY VARIATION 4: COMPETITIVE RESPONSE

What the Interviewer Wants to Know
- Can you combine market data with internal resources to provide a convincing recommendation?
- Do you understand the market forces that companies face?

Classic Question
- A furniture chain has been losing market share to discounters. How should it respond?

BUSINESS STRATEGY VARIATION 5: RESPONSE TO CHANGE IN EXTERNAL ENVIRONMENT

What the Interviewer Wants to Know
- Are you creative?
- Can you demonstrate an understanding of the dynamic forces within an industry?
- Can you identify and evaluate various strategic options?

Classic Questions
- A defense contractor wants to know how an ongoing war will affect its profits.
- A newspaper chain wants to know if and when it should abandon its print publications.

BRAINTEASERS

What the Interviewer Wants to Know
- Are you really smart, or do you just test well?
- Do you panic when confronted with an unusual problem?
- Do you like intellectual exercises?

Classic Questions
- How would you develop an original brainteaser question for a case interview?
- Using a tap, a 3-gallon container, and a 7-gallon container, can you measure exactly 5 gallons?
- How would you sell an MP3 player to a deaf person?

OTHER CASE TYPES

Resume Cases; International; Government; Reengineering; Totally Random Cases

What the Interviewer Wants to Know
- Did you really do what you stated on your resume?
- How much did you learn from your previous work experiences?
- Can you separate macroeconomic theory from politics?
• How do you handle unexpected territory and nonbusiness constraints?
• Can you analyze and apply frameworks to other problems?

Classic Questions
• Your resume says you headed up the team that integrated the acquisition of a local distributor. How would you apply what you learned there to the acquisition of a global distributor?
• The government of Zimbabwe wants to develop an industrial policy. What do you advise?
• A public school district, which is a pro bono client, asks for your help in designing an incentive compensation plan for its unionized school teachers. What would you do?

FRAMEWORKS: LOGICAL APPROACHES TO CASE ANALYSIS

 › A FRAMEWORK IS simply a structure you use to organize your thoughts and help you analyze the critical issues of a sample case. It gets you started, and then you finish it in your own style. Think of it this way: Every shirt needs to have a way to get your head and arms through, but a trip to the mall will show you thousands of options created using the simple shirt framework. It’s the same for business. A framework can help you break a case into two, three, or five components. With those down, your brilliant intellect will shine through.

Frameworks are designed to make your life easier, whether you’re a candidate or a consultant. In most cases, one framework will be obvious—you’re either making pants or a shirt, so to speak. In other cases, you might have options—maybe the shirt framework or the sweater framework will help you make a jacket. And some cases involve a combination, with the shirt and pants frameworks coming together to make an outfit. But remember: The framework is just the start; it’s not the finished product. No one will award extra credit for making a shirt that has an opening for the head—that’s a given. But is the collar interesting? Is it made of special materials? Is there something about the way you approached the head opening that makes it function better than other openings in other shirts?

Once you choose a framework, tie it to the case example at hand. For example, if you’re using cost and revenue as your framework (a simple but rigorous framework—and one of our favorites for evaluating a new investment opportunity), you might say, “Your question asks whether the company should build a new plant, and I think to approach that question we’d have to evaluate the costs incurred and the revenue opportunities generated. As I see it, the costs for a venture like this will include those from the following three areas… while revenue would potentially come from X, Y, and Z. Let’s explore each of these areas in a little more depth.”

The point is not to impress your interviewer with the most complex, diamond-studded, and difficult-to-follow framework. It’s to choose a framework that helps you solve the problem most efficiently.

The interviewer expects you to use a framework to organize the case information, but that’s because she expects her firm’s staffers to be logical and methodical. She’s not testing your ability to memorize the frameworks themselves. Only remember three of the 4Ps? That’s okay, as long as those three are germane to the case at hand. (More on the 4Ps later.)

A note of caution: Many firms advise not to rely too heavily on the use of frameworks. Don’t focus
so much on choosing the right framework that you lose sight of the overall goal, which is to display your thought process and analytical skills. While frameworks are immensely helpful in organizing your thoughts to solve a case question, don’t be overly rigid in applying them. Use them as an organizational tool, a kind of suspension bridge for reaching a conclusion and developing a plausible recommendation. A framework is not an answer in and of itself.

CONSULTING FRAMEWORKS 101: THE FIRST STAGE

Some of the most flexible, useful, and durable frameworks are also some of the easiest to remember. The advantage of these basic frameworks is that they’re easy to apply to a variety of case problems. The negatives? They’re simplistic and may not help you remember all the points you need to hit in your analysis—particularly in more complex case questions. Nevertheless, the basics are always a good place to start, and these frameworks can often be used in combination with other approaches. Read on to learn about basic frameworks and what type of questions you can apply them to.

Internal/External

Application: The Firm vs the Market or The Firm vs the Competitive Environment

The internal/external framework is a good starting point for case questions that ask you to look at a firm and its environment or market. For example, if you were asked to explain why a transportation client’s capacity utilization was down, you might start with something like, “I’d want to look at both the internal factors affecting the company’s performance and the external environment in which it found itself. On the internal side, I’d analyze the company’s operations, including its scheduling and routing systems, its sales efforts, and its capacity-management processes. On the external side, I’d analyze what was going on in the marketplace. Perhaps the industry is suffering from chronic overcapacity, or maybe competitors have adopted a new pricing structure that’s affecting demand for the client’s services.” In general, try to present a balanced equation—three external factors and three internal factors.

Cost/Benefit

Application: Evaluating New Business Opportunities, Business Strategy

A cost/benefit framework can be used to evaluate many different business questions. In particular, if you’re asked to make a strategic recommendation for a hypothetical client, you won’t go too far wrong by beginning with a list of the costs and benefits for a given action. This is a good way to start if you aren’t sure right up front what the best approach would be to answering the question. For instance, the case interviewer says you’re working for a brokerage house and they’re considering outsourcing customer relationship management. “A brokerage house,” you think to yourself, “I don’t know anything about the securities industry!” No worries—the trusty cost/benefit framework will set you on your way. You might start with something like, “To assess this opportunity, we’d have to look carefully at the costs and benefits of the proposal and try to quantify them wherever possible. For example, some of the key costs of outsourcing would probably include the outsourcing firm’s fees, marketing to support the new program, and declines in customer service. On the benefit side, we’d want to look not only at the cost savings that could be generated and the foothold for future business in India or the Philippines, but also at the incremental energy we could devote to our core business. We’d also want to examine the potential to achieve savings in operating costs.”

Supply/Demand

Application: Market Analysis, Business Strategy, Product Pricing

The supply/demand framework is the granddaddy of economics frameworks. Keep this one handy for many of your market analysis and business strategy questions.
It will also work well in combination with a number of other frameworks, and it can help you explain how actions that affect price or supply might have an impact on market equilibrium (and vice versa).

Here’s the crux of it: Anything that increases supply will decrease prices. Anything that increases demand increases prices. And, anything that increases prices increases the supply and decreases the demand, while anything that decreases prices decreases the supply but increases the demand. Whew!

Pull out an econ textbook to see some visual representations of this principle. We all know that economists love to draw graphs.

**Fixed Cost/Variable Cost**

*Application: Profits or Operations and New Business Opportunities*

Cost accountants, rejoice! Many a case question has been clarified (if not solved) by juggling a few numbers. One thing to watch out for is profitability and operations questions is the fixed cost/variable cost dynamic. Fixed costs are those things such as rent, administrative division salaries, interest on debt, and overhead expenses that can’t be adjusted right away. In contrast, variable costs, such as raw materials, vary directly with production. These factors can also be important in assessing opportunities in new industries. If there are high fixed costs associated with a new venture, capacity utilization will be key to making the venture work. Your case question might be, “The largest paper manufacturer has announced plans to build a new plant. Should our client, the number three paper manufacturer, follow suit?” Think about incorporating a discussion of fixed and variable costs into your response.

**Marginal Cost Analysis**

*Application: Profits or Operations*

Marginal cost is one of those specialized mini-frameworks that makes an ideal add-on to a larger, more general framework such as cost/benefit analysis, especially for questions involving profits and operations issues. Marginal costs are the expenses involved in producing an additional unit of something. In most cases, producing one or two more items costs very little, just the cost of materials. But at some point, your production will outgrow your machines and maybe even your building, so that the marginal cost of producing one more item becomes enormous. Likewise, you can have marginal costs of sales. Think of a retail store: It doesn’t cost any more to have ten customers instead of one. But have too many customers and the store gets uncomfortably crowded, fights break out in the parking lot, and people get disgusted because the checkout lines are too long. The answer is to open a new store, but that can be an expensive undertaking.

You might be asked about a situation in which sales have gone up as profits have gone down. There are many possible explanations for such a scenario, one of which is that the increased volume has caused the production to exceed the point where it is at its most efficient. In other words, the marginal cost (the cost of producing each additional unit of output) is going up. This could result from the need to purchase raw materials at a premium to get quick delivery, or from having to pay workers overtime to fill orders. Although you’ll probably score extra points by incorporating academic concepts in your answer, the real world is never as clean as the textbooks. You’ll undoubtedly want to embellish your answer with messy things like stakeholder interests and organizational dysfunction.

**The Good Old 2x2**

*Application: To a Consultant, Everything in Life Can Be Explained with a 2x2*

Take it from us—your consulting friends can explain everything they see in terms of a 2x2 matrix. A good matrix can communicate a difficult-to-understand concept in a clear and compelling manner. However, even if it doesn’t communicate a particularly exciting message, a good matrix always has the power to wow an unsuspecting client—and consultants love to do that. One of the most famous consulting matrices is Boston Consulting
Group’s Cash Cow 2x2, which is used as an analytical tool in product portfolio analysis. It’s designed to position a group of products into one of four distinct quadrants:

- **Star** (High Market Share, High Growth Rate)
- **Problem Child** (High Market Share, Low Growth Rate)
- **Cash Cow** (Low Market Share, High Growth Rate)
- **Dog** (Low Market Share, Low Growth Rate)

The beauty of this matrix is its simplicity. By selecting two measures of product performance (market share and market growth rate) that can run in parallel or in opposite directions, we have a visual tool for evaluating all sorts of things, like the attractiveness of going into a new market or acquiring a target company. CEOs aim to establish product portfolios chock full of Stars (high market share and high growth) and Cash Cows (high market share, low growth), while divesting themselves of the low-share, low-growth Dogs—and hiring consultants to help them figure out what to do with the low-share, high-growth Problem Children. Now, no matrix is perfect, and some theorists have criticized the BCG matrix for leading in certain circumstances to the wrong conclusions (for instance, some high-growth markets are not attractive for certain businesses). Nevertheless, as a quick-and-dirty tool to analyze market opportunities and product portfolios, it serves its role most effectively.

The 2x2 matrix is a good starting point for analyzing a marketplace, assessing competitors, evaluating product portfolios, or trying to sort out a complex pile of data. And the good news is that not every matrix needs to be as sophisticated as the BCG matrix—even if you’re interviewing with BCG!

**Try Your Hand at 2x2s**

Now that you know how a 2x2 can be applied, give it a try. Let’s say you’re looking at a new product-introduction case. Should we launch a bottled water, and if we do, will it eat up our existing beverage brands? You might say, “Let’s look at the industry as it stands today. We have carbonated and uncarbonated beverages, and we have flavored and unflavored beverages. If we draw a 2x2 of the marketplace, we have a whole bunch of brands occupying this upper right-hand carbonated, flavored beverage quadrant.” Hey! You’re on your way.

**Consulting Frameworks 102: A Touch of B-School**

When you pay business-school tuition, you learn business-school frameworks, which are just a tad more sophisticated than the simple frameworks discussed previously. That doesn’t mean they’re more powerful—always use the right tool for the job. The frameworks and tools discussed in this section may give you a more comprehensive and robust structure for addressing a specific case question. They cover the key issues that most businesses face, so understanding the concepts in these frameworks will help you analyze the situations that may be covered in case interviews.

**SWOT: Strengths, Weaknesses, Opportunities, Threats**

**Application: Questions on Business Strategy, Marketing, Acquisition, and Product Development**

SWOT analysis is an oldie but goodie. It can be used to set up the basic operating environment for almost any company in almost any industry.

It’s simple: Every business has strengths, weaknesses,
opportunities, and threats. Lay them out, and then move on to the next part of the case. Are you looking at Microsoft? Well, its strengths include its dominance of the desktop computing software market and its huge cash balance. Its weaknesses include buggy software and a lack of Web-based applications. Its opportunities include enterprise software, entertainment systems, and moving its software applications to the Web. Its threats come primarily from Web-based competitors, like Google. Voilà! The SWOT team has done its work.

The 3Cs: Company, Customers, and Competition
Application: Business Strategy and New Market Opportunities
The famous 3Cs will often be the most critical factors to consider when you look at a strategic, marketing, or performance question. So, if you’re asked to figure out how an automaker should assess its opportunities in a foreign market, you might start by analyzing what kinds of customers it will find in the new market. You’d probably want to analyze the individual characteristics of the customers as well as the marketplace’s characteristics and trends. A look at the competition would include both an analysis of the competitors in the new market and the competitors in the client’s existing markets, plus how all competitors would respond to your client’s expansion plans. Finally, the company analysis would likely include a look at the client’s strengths and weaknesses, its internal resources, its longer-term strategy, and how well situated it is to handle the different issues you identified in the customer and competition pieces of your answer.

The 4Ps: Product, Price, Promotion, and Place
Application: Marketing and New Product Development
Here’s a favorite one from the Marketing Hall of Fame. The 4Ps are the four major knobs you can turn when trying to market a new or existing product. Product incorporates everything about the design of the product; its features; how it’s different from competing products and substitute goods; its packaging; reputation, service, and warranties; and what the strategy for the product is in the future. The price factor includes retail prices and discounts, as well as economic incentives to the different channels (commissions and margins) and the strategic elements of the pricing decision. Promotion involves everything from marketing and advertising to customer education, public relations, and franchise or reputation development. The fourth P, place, is really a
D in disguise. It stands for distribution, and covers such things as choice of channels, cost and duration of distribution, and positioning strategy. A good case question to apply the 4Ps framework would be, “Our client plans to introduce a solar-powered room air conditioner. What are some of the issues we should examine?”

**CONSULTING FRAMEWORKS 103: BRINGING IT ALL TOGETHER**

The final category of consulting frameworks incorporates several of the concepts presented above. These powerful, but complex, frameworks are very useful in providing a comprehensive analysis of a specific industry or opportunity.

**Porter’s Five Forces**

**Application: Strategy and New Business Opportunities**

Porter’s Five Forces theory is probably the best-known industry analysis framework. It’s a little old-fashioned, but it’s still a logical way to figure out the dynamics of almost any industry. You can use it to answer case questions about competitive strategy or forays into new markets. Here’s a review.

The five forces that describe the nature of an industry are:

1. **Barriers to entry**
   (the ease with which new firms can enter the industry)

2. **Bargaining power of buyers**
   (the relative power of customers and other buyers)

3. **Bargaining power of suppliers**
   (the relative value of vendors and other suppliers)

4. **Availability of substitute products**
   (the uniqueness of the industry’s products)

5. **Nature of the rivalry among firms**
   (the rationality of competition in the industry)

Analysis of each of these categories and their relevant subcategories should give you a good idea about whether the opportunity looks positive or negative. It will also potentially fill up the entire interview hour, which is a mixed bag: You might solve the case but waste a lot of time in the process. We’ve included a more detailed example of how this framework might be applied to a specific case in Chapter 6. However, the key insights that this analysis will often provide include the idea that an industry is more attractive if there are significant barriers to entry; neither buyers nor suppliers have great power over the players in the industry; there are few adequate substitute products; and the firms are not engaged in an insane competitive rivalry that depresses profits.

**Firm Analysis**

**Application: Business Strategy**

Firm Analysis takes strategic analysis down a notch to look at the company. It’s more detailed than the internal/external framework, which it resembles; the difference is that firm analysis looks at specific factors that affect firm strategy and culture. (Think of it as a specific version of the general internal/external framework.) The foundation of the Firm Analysis framework is the identification of the internal (company) and external (market) factors that come together to influence a company’s competitive strategy.

*Internal factors* influencing a corporate strategy include:

- Goals and values
- Resources and capabilities
- Structure and management

*External factors* influencing a corporate strategy include:

- Industry trends
- Outside constraints (governmental, societal, legal)
- Competitor activities

The business strategies that will likely prove most successful for the firm are those that find a close fit between the internal (company) and external (market) factors. This framework can be applied to many types of strategy questions, especially those involving a new opportunity, a new market, or changing circumstances in the industry. For example, if you’re looking at the
opportunity for a medical device manufacturer to set up a new production facility in France, you might start by looking at internal factors related to the company’s strategic objectives and resources, and then move on to the various external factors it will face as it explores the market opportunities in Europe.

**CAGE Analysis**

**Application: International Strategy, Operations, and Investment**

If you get a question about international strategy, you’ll want a logical way to think about the issues. And chances are good that an interviewer is going to ask you about international issues at some point. Good thing Pankaj Ghemawat, a professor at Harvard, developed a framework you can use. He wants business people to consider the amount of distance that exists between two cultures when deciding whether and how it makes sense to change business strategy overseas. And, it comes with a handy mnemonic:

- **Cultural distance:** What are the differences in religious beliefs, race, social norms, and language between the target country and the country of the company considering expansion?

- **Administrative distance:** What are the differences in how the countries are governed? Are there colonial ties, a common currency, and trade arrangements in place?

- **Geographic distance:** What’s the distance in miles between the countries? What’s the size of the target country? What about its infrastructure features, like ports, transportation systems, and communications networks?

- **Economic distance:** Do the two countries have similar wealth and consumer income? Are financial resources similarly available?

If you get a case about outsourcing to the Philippines, acquiring a company in Germany, or investing in Venezuela, think about how the markets are similar in terms of culture, administration, geography, and economics. How do these factors affect the strategy?

For that matter (because frameworks in consulting interviews are tools, not tests), you might be able to apply CAGE to other business decisions, such as regional expansion or the acquisition of a competitor. Would you recommend that News Corp. acquire The New York Times Company, given the cultural, administrative, geographic, and economic factors involved?

**Financial Analysis Framework**

Financial analysis is a cornerstone of corporate decision making. Most of it is complicated stuff, and if you don’t know it by now, sign up for an accounting course—now! But there are basic relationships to help you evaluate strategy decisions during case interviews.

- **Income statement equation:** Revenue – expenses = profits. And profits are good.

- **Balance sheet equation:** Assets = liabilities + equity. Or, to put it another way, equity (ownership) are the assets left over after all the lenders are paid off.

- **Cash equation:** Ending cash = beginning cash – cash for (from) operations – cash for (from) investing – cash for (from) financing. Cash is good, but businesses have to spend money to make money.

If you’ve completed an accounting course and are interviewing with an investment firm, you’d better know this stuff cold. Use the above overview to help you remember all the stuff you forgot immediately after the final.

**Application: Product-Profitability Questions**

Do your eyes glaze over when the cocktail party discussion turns to costs of goods sold and accounts receivable? (Hey, it could be worse, you could be hanging out with actuaries instead of accountants.) You’ll be glad to know that financial-statement analysis doesn’t usually warrant the “framework” label. However, a basic understanding of how balance
sheets, income statements, and cash-flow statements [see examples on the following pages] work can be an important part of your consulting case interview. Financial statements, like frameworks, are road maps. If you can navigate the income statement, balance sheet, and cash-flow statement, you’ll be able to cut through the fluff and identify the core issues of many case questions. In particular, financial-statement analysis will be helpful if you find yourself facing a question about product profitability. For example, if you’re asked why a steel company is unable to offer a competitive price for its galvanized products, you could structure an answer around an analysis of the various components of product cost: direct materials, direct labor, and overhead. You would probably also want to take your analysis a step further by looking at how overhead was being allocated or how sales were being handled.

**BASICS OF THE INCOME STATEMENT**

<table>
<thead>
<tr>
<th>Gross revenue ( = units x price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>subtract Returns and allowances</td>
</tr>
<tr>
<td>equals Net sales</td>
</tr>
<tr>
<td>subtract Cost of goods sold, comprising the following four items:</td>
</tr>
<tr>
<td>Direct labor</td>
</tr>
<tr>
<td>Direct materials costs</td>
</tr>
<tr>
<td>Overhead (watch out for allocation!)</td>
</tr>
<tr>
<td>Delivery costs</td>
</tr>
<tr>
<td>equals Gross margin</td>
</tr>
<tr>
<td>subtract Selling, general, and administrative expenses</td>
</tr>
<tr>
<td>subtract Depreciation</td>
</tr>
<tr>
<td>equals Operating profit</td>
</tr>
<tr>
<td>subtract Interest expense</td>
</tr>
<tr>
<td>equals Profit before taxes</td>
</tr>
</tbody>
</table>
# Basics of the Balance Sheet

## Assets

**Current assets**
- Cash: A
- Short-term investments: B
- Accounts receivable: C
- Inventories: D
- Prepayments: E

**Total current assets**
\[A + B + C + D + E = F\]

- Property, plant, and equipment: G
- Less allowance for depreciation: H
- Investments: I
- Other assets: J

**Total assets**
\[F + G + H + I + J\]

## Liabilities and Stockholders' Equity

**Current liabilities**
- Accounts payable: K
- Loans payable: L
- Income taxes payable: M
- Dividends payable: N

**Total current liabilities**
\[K + L + M + N = O\]

- Long-term debt: P
- Deferred income taxes and noncurrent liabilities: Q

**Total Liabilities**
\[O + P + Q = R\]

- Shareholder equity: S
- Common stock: T
- Retained earnings: U

**Total stockholders' equity**
\[S + T + U = V\]

**Total liabilities and stockholders’ equity**
\[R + V\]
BASICS OF THE CASH-FLOW STATEMENT

Cash flows and operating activities

- Net income: A
- Adjustments to reconcile net income to net cash from operating activities:
  - Depreciation expense: B
  - Amortization of intangibles: C
  - Gain on sale of plant assets: (D)
  - Increase in accounts receivables (net): (E)
  - Decrease in inventory: F
  - Decrease in accounts payable: (G)

Total: B + C + (D) + (E) + F + (G) = H

Net cash provided by operating activities: A + H = I

Cash flows from investing activities

- Sale of plant assets: J
- Purchase of equipment: (K)
- Purchase of land: (L)

Net cash provided by investing activities: J + (K) + (L) = M

Cash flows from financing activities

- Payment of cash dividend: (N)
- Issuance of common stock: O
- Redemption of bonds: (P)

Net cash provided by financing activities: (N) + O + (P) = Q

Net increase (or decrease) in cash:

I + M + Q = R

Cash at beginning of year: S

Cash at end of year: R + S

Final Thoughts on Frameworks

No framework is fixed in stone. Even one as venerable as Porter’s Five Forces has its detractors, and new frameworks come out each year as PhD candidates write dissertations and new business best sellers are penned. And yes, you’re free to create your own framework. Do you see logical ways to link different business issues? Then go ahead and create your own framework. Frameworks are just tools, and it’s not the tool but the craftsmanship that the interviewer is looking for. If you’re able to organize your thoughts clearly and methodically without a CAGE match between the 3Cs and the 4Ps, then by all means, go ahead.

But be warned! If you choose to fly solo, you may get high points for creativity and stand out from other candidates, but you’ll also run the risk of missing key
issues. Consulting firms don’t want iconoclasts who can’t do the work. We recommend that you test-drive different approaches to case interviews before you pull one out of your bag of tricks during the interview. Start with our sample questions or questions developed from your own resume, and see how it works.

Frameworks are just tools. It’s not the tool but the craftsmanship that the interviewer is looking for.

**EXTRA CREDIT**

› A **TYPICAL** case question will have a few tricky twists and turns—sharp corners where most people go careening off the highway, or, at best, onto a side road. It’s not about tricking you (although some interviewers have been known to try); it’s just a reality check. Business is complicated, and a company doesn’t need to pay big bucks to a consultant who’s thrown by run-of-the-mill problems. These obstacles test your poise: What do you do when a question doesn’t fall into a standard category? Can you handle a question that isn’t in the WetFeet *Ace Your Case*® series? (Hey, consulting firms know about WetFeet and our competitors; they know what questions you’re thinking about. To stand out, you must be able to handle questions you’ve never seen before. That’s why it’s so important to master the process of solving a case question. Memorize the WetFeet Way and you should be able to navigate any question.)

Identifying and analyzing most of these unusual situations will require you to draw on your own resources and insight. However, to help level the playing field between the former consultants and those who are new to the field, here’s a list of some favorite twists and turns. If they don’t come up in the case itself, you can always throw a few of them out there if you get through the case and still have time to wow your interviewer. But don’t forget: The key to a successful case interview is to answer the core portion of the case question correctly.

**Fine print in the contracts**
Unions, noncompete agreements, government regulations, and parent/sister company relationships may present unexpected constraints to a traditional company that wants to enter a new industry. For example, if an auto parts manufacturer wanted to move its factories overseas, it might still have to pay its U.S. workers because of a contract provision that made sense 25 years ago but was never removed in recent negotiations.

**Capacity constraints**
Costs may jump significantly if new capacity, the amount of output a company can produce, can only be added in large chunks. For instance, a computer manufacturer might be able to increase production up to full capacity, but if it wanted to increase production after that, it might have to build a new facility, thus raising per-unit costs significantly if all of the new capacity isn’t completely used.

**Economies of scale?**
Not necessarily! Most companies see their costs per unit fall as total volume rises, but that’s not always the case. Just because a company has larger volume production doesn’t mean it has a lower cost structure. Think about retail. Profitable regional department store chains sometimes have trouble expanding to a national market. Although some system costs decrease as scale increases, other costs may actually rise. Customers may sense a loss of regional flavor, workers may unionize and negotiate higher wages, transportation costs may go up, and the costs of maintaining regional offices as well as a headquarters may be quite high.
Competitor actions don’t always make sense
Economics assumes that everyone behaves rationally. But business decisions are made by humans, not computer programs or nifty graphs. Competitors may act out of sentimentality, anger, rage, or the thrill of victory, no matter the effect on the bottom line. In a declining industry, firm rivalry may be so intense that firms drive profits out of what might otherwise be a lucrative industry. The airline industry is a perfect example: Long-standing feuds between players may cause them to act in ways that have no economic justification.

Culture clash
Organizations with strong or weak cultures have very different attributes—and neither is a sustainable competitive advantage. Organizational culture may have a significant impact on how effectively a firm can pursue a new strategy. Consider the AOL-Time Warner merger. The Time employees thought of themselves as upstanding journalists who put editorial standards before profits. The AOL team was used to brash business practices, with a focus on the bottom line. The two sides resented each other, preventing anyone from realizing the obvious advantages from the deal—AOL Internet access through Time Warner’s cable system; Time Warner content adding value to AOL; AOL using the Warner music library to dominate the MP3 market. So what happened? Other Internet service providers, satellite television companies, publishing firms, and music companies let the folks at AOL-Time Warner bicker their stock options down to nothing while they swooped in and took more market share.

Is there an accountant in the house?
Accounting is a creative profession, even when accountants are behaving properly. Many corporate accounting issues relate to how costs are allocated to different internal divisions, and this may have nothing to do with how costs are incurred. These problems often distort management’s perceptions of product-line profitability. Let’s say your client has two products: one is in production 80 percent of the time and is highly profitable; the other only runs 20 percent of the time and is only marginally profitable. If you require each product to carry half the overhead costs, you may suggest that it doesn’t make sense to produce the second product because it doesn’t cover the overhead that has been assigned to it, even though it is profitable on its own.

Pocket Guide to Case Interview Language

The Business

World is filled with buzzwords, and they go in and out of style faster than fashions. Here are a few terms you may hear during your interview. To help you be on the same page as your interviewer, WetFeet offers the following translation notes.

Airplane test
Translation: a common post-interview discussion point in the recruiter lounge. The recruiter is wondering, “Would I be able to stand it if I had to spend an eight-hour layover at O’Hare with this person?”

Barriers to entry
Translation: Factors affecting new firms trying to enter the industry (see the discussion of Porter’s Five Forces for more information).

Blinding insight
Translation: The unexpected “Aha!” point the recruiter is waiting to see the candidate discover as she plows through the details of the case question.

Crowdcasting
Translation: “We’re out of fresh ideas. Maybe we’ll organize a B-school contest to get some answers for real
client problems. Oh, wait! It would be cheaper to just collect ideas from all our job candidates, so that we can recruit and get real work done at the same time!"

**80/20**
*Translation:* A solid approach to solving a case. Don’t get bogged down in detail; focus on the 20 percent of an analysis that drives 80 percent of the answer. Efficient problem solving!

**Poet**
*Translation:* A person who breaks out in a rash when he sees anything quantitative. Warning: Never admit to being a poet during the case interview process. Even if the interviewer was a poet before he joined the firm, he’ll be too ashamed to admit it.

**Sanity check**
*Translation:* One last consideration of your final answer or recommendation. You will be enveloped in detail as you solve a case. Always go back and ask yourself the simple question: “Does this make sense?”

**Do you pass the airplane test?**
That is, would your interviewer be able to stand it if the two of you had to spend an eight-hour layover together at O’Hare?

**Execution**
*Translation:* Once upon a time, clients paid for strategic advice. Then they found they couldn’t use most of the strategies they paid for. Now, they want strategies they can actually execute. The goal is to get things done, not write reports full of interesting ideas.

**Knowledge acquisition**
*Translation:* What your interviewer is doing, if she decides to make you an offer.
The Recruiter’s Perspective

From the Recruiter’s Side of the Table .................. 38
The Judge’s Scorecard .............................. 38
Polishing Your Performance ........ 40
FROM THE RECRUITER’S SIDE OF THE TABLE

WOW! YOU’RE probably thinking there’s an awful lot to keep straight and a lot you’ll have to do to impress your consulting interviewer. In one sense you’re right; case questions can be quite complex. After all, they’re often drawn straight from the consultant’s work experience. Clients may have paid millions for the person sitting in front of you and a bunch of her colleagues to spend months studying the very problem she expects you to analyze in eight and a half minutes. But look at it this way: Almost all cases can be boiled down to a few common themes. The case is ultimately a way of testing whether you might be cut out for a career in consulting. And on that front, all of the firms are looking for a few standard things.

As we’ve mentioned, your interviewer will not be looking for the one right answer to the problem. There probably isn’t one right answer; business problems are rarely that simple. And, even though they do want you to hit on a few key issues, most interviewers will be looking for something else from you. In addition to all of the general points he will have been assessing since the start of the interview—your composure, your communication skills, your experience, and your energy level—the interviewer’s mental scorecard during the case question will look something like this:

- Do you have a logical, clear, and effective way of tackling a simulated business problem? Can you choose a relevant structure or framework to understand and answer the question?
- Are you analytical? Do you think in boxes, tables, and bullet points? Can you pick out key issues of the problem and move through them in an organized and logical way?
- Are you likely to be happy as a consultant? Is it obvious that you relish the mental wrestling matches required to solve difficult problems? Do you ask probing, insightful questions?
- Do you have good business intuition? Do you understand some of the basic business issues? Most importantly, do you push toward action?
- Do you have a consulting presence? Are you calm and poised? Can you believably stand up in front of a middle-aged client and have enough credibility to leave him thinking he’s gotten the best analysis that money can buy?

THE JUDGE’S SCORECARD

TO GIVE you a sense of exactly what the interviewer is thinking about as he pushes and prods you through the case question, WetFeet has developed the Judge’s Scorecard (aka the Consulting Interview Evaluation Form). Think of the scorecard as the tool your interviewer is using to evaluate you. This is a generic form developed by WetFeet, based on material used by several different firms. Of course, each firm will have its own approach.
Consulting Interview Evaluation Form

Candidate: ____________________________  Round: ________________________________
Date: ________________________________  Interviewer: _____________________________
School: ______________________________  Case used: _____________________________
Ratings: Please assign a rating for each category and an overall rating at the bottom.

3 = Excellent/Good  2 = Average/Neutral  1 = Poor/Unsatisfactory

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<th>Rating</th>
<th>Skill Category</th>
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<td><strong>Analytical Skills</strong></td>
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<td>Comfortable with numbers?</td>
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<td><strong>Problem-Solving Skills</strong></td>
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<td>Breaks problem into parts?</td>
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<td>Out-of-the-box thinking?</td>
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<td><strong>Results Orientation</strong></td>
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<td>Starts with issues that provide leverage?</td>
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<td>Uses realistic, doable approaches?</td>
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<td>Focuses on actionable items?</td>
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<td><strong>Listening Skills</strong></td>
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<td>Listens carefully to problem?</td>
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<td>Asks questions when necessary?</td>
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<td><strong>Presentation/Communication Skills</strong></td>
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<td>Clear and to the point?</td>
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<td>High energy</td>
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<td><strong>Fit with Culture</strong></td>
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<td></td>
<td>Overall candidate rating:</td>
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Office/practice preference: ________________________________
Overall candidate rating: __________
(1-6 = Recommend against passing to next round; 7-12 = Neutral; 13-18 = Recommend for next round)
Interviewer’s signature: ________________________________
POLISHING YOUR PERFORMANCE

NOW YOU’VE got the basics of how to proceed, what to do, and what not to do. That’ll get you through the interview. The next step is to apply a little polish to make yourself shine. That involves taking some opportunities to confirm that you’re on the right track and you’re making it easy for the interviewer to give you a great score. What do consulting firms advise? The following advice is based on our conversations with bona fide consulting recruiters, and should help you score highly on the interview:

• **Stay calm and take time to think.** Don’t blunder through the case—take a minute to figure out a logical approach, and then follow through on it.

• **Rephrase the problem in your own words.** This will not only help you understand what is being asked, it will also help you formulate an approach.

• **Ask questions, but be able to articulate why you need the answers.** Don’t use questions to buy time—make sure there’s a point to what you ask.

• **Develop a framework that supports your reasoning; don’t generate random ideas.** Show that you’re open-minded, but solutions-oriented.

• **Begin by defining issues and hypotheses—not answers.** Identifying the issues to sort through is key. Getting to the answer quickly without thinking it through is not what they pay consultants to do.

• **Think out loud—summarize periodically and avoid jumps in logic.** Periodic summaries of where you are will help clarify your own thought process and will allow mid-course corrections. And, if you’re on the wrong track, it allows the interviewer to gently nudge you in the right direction.

• **Go past descriptive analysis (what happens) to causal analysis (why it happens).** Don’t just observe; explain, without getting too deep into the weeds.

• **Stay focused on the issues and opportunities facing the client.** Client focus is a key attribute of consulting.

• **Drive to potential actions for the client—be pragmatic.** Be action-oriented, but keep those actions practical and easily implemented.

• **Watch your interviewer’s reactions.** This will help you gauge whether you’re on the right track, and make corrections if necessary.
Case Examples
GOOD CASES FOR GOOD CONSULTANTS-TO-BE

HERE THEY are—real, live sample case questions and suggested answers. To help you prepare for the case interview, we have listed several questions first, then provided sample answers. Try simulating the case interview process by jotting down your own notes about the question or practice your answer out loud before you look at the sample answer.

Case Question 1
List several ideas for handling a product recall.

Case Question 2
A U.S. retail client is considering opening stores in China. What would you advise?

Case Question 3
The president of the campus activities board comes to you for advice. After losses last year, the group spent money advertising to the off-campus community, and ticket sales at events increased. But the group lost money again this year, and campus administration is threatening to shut it down. What might be going on?

Case Question 4
How many pairs of socks do Americans go through in a given year?

Case Question 5
You are assisting a national discount department store chain that has been attempting to diversify its business lines outside of the traditional retailing business. Unfortunately, it has been unsuccessful in a number of new ventures, including real estate, financial services, and online sales. This time, the client is considering an opportunity to expand into grocery sales. The attractive features of this industry include:

- Relates well to the company’s core retailing expertise
- Overlap between the distributors serving discount department stores and grocery stores
- Large potential demand—customers need to buy groceries
- Customer value is high; they can get more done in one stop

Is this a good opportunity? What do we need to know to assess the opportunity?

Case Question 6
A record label is facing a dramatic downturn in business due to the rapid increase of music downloading and independent CD production houses. What should it do?

Case Question 7
A medical supply company works with dealers in South America, but it is considering developing its own distribution network. What does the company need to consider?

SUGGESTED ANSWERS

THE FOLLOWING are suggested answers to the sample questions. To give you more insight into what would be expected of you, we’ve also included key tips and notes.

CASE QUESTION 1
Question
List several ideas for handling a product recall.

Background
Consultants will often ask you to list several potential solutions to a particular problem in rapid-fire sequence up front. In an interview, this approach may be experienced as a discrete case question or as part of a larger, more structured and complex case. It will sometimes be used...
to quickly assess original thinking when interview time is short. This question type aims to evaluate your creative ability to generate several possible solutions or hypotheses from the start in order to guide a deeper, structured analysis later on. This is a very effective approach in consulting, because it drives creative brainstorming—before getting enveloped in extreme levels of detail—generating a hypothesis-driven start to a client case.

No list is right or wrong. The interviewer is interested in hearing you propose some clever thoughts about a problem, even if they seem far-fetched. The key to a successful answer here is to have fun with the challenge. Since your interviewer will be looking for a combination of creativity and analytics, don’t hold back! If this were a team meeting and you were trying to identify solutions to a client problem, the goal would be to get as many ideas as possible out on the table and to select the most important ideas for further analysis. This question could be given to undergrads, MBAs, or advanced-degree candidates.

**Suggested Response**

**Interviewer:** Here’s a problem for you: A client has to recall a product. Give me a list of ideas for the company to consider.

**Candidate:** You want me to start with a list, right? Not a strategic plan?

> Good move by the candidate, confirming WHAT the interviewer is asking. No sense launching into the wrong answer.

**Interviewer:** Well, we only have a few minutes left because of some scheduling problems. What factors would you consider before considering the strategy?

**Candidate:** To start with, a poorly handled recall has the potential to undermine customer trust in the company. I’d head that off by being up-front about what happened and issue a press release explaining the issue and how customers can return their product.

Then I’d work on ways to make the return process easy.

**Interviewer:** How could the company do that?

**Candidate:** Well, the company could pay retailers to accept the returns. It could run ads in large newspapers that included a clip-out mailing label. It could set up a website to explain the situation, and customers could download a shipping label there. It could work with recyclers to handle the customers’ packaging and to de-manufacture the products that are returned.

> Although this question doesn’t need a FRAMEWORK, the candidate stuck to the topic and managed to come up with interesting and logical ideas.

**Interviewer:** We have about two minutes. What else can the company do?

> Here’s a hint that the candidate hasn’t yet considered EVERYTHING. There’s not much time, so it’s time to get going.

**Candidate:** The CEO should appear on television to show his concern and to reassure customers that the company wants to do the right thing. The legal department could start negotiations with people who were harmed rather than waiting for a suit to be filed. The product development team could begin product redesigns or reformulation to prevent the problem from happening again. How’s that?

> Even with time scarce, it’s a good idea to EVALUATE how things are going.

**Interviewer:** That’s great. Thank you, I enjoyed meeting you, and good luck. And now, it’s time for my next appointment.
**CASE QUESTION 2**
A U.S. retail client is considering opening stores in China. What would you advise?

**Suggested Response**
This question would probably be given to MBA candidates, because it combines market, strategy, and operations issues. As with all cases, there’s no one right answer here, but we hope this dialogue will give you some inspiration.

**Interviewer:** You’re working for a retail chain based in the U.S. The chairman comes to you and says, “We’re already sourcing our inventory in China, and I’m thinking we should open stores there to serve that growing market. I’d like your opinion on that.” What should you advise?

» *Beware of the overly general question! The interviewer will often start off with something so broad that it’s difficult to answer without more information. The interviewer wants to see if you’ll keep your wits about you and ask questions to get a better understanding of the proposed scenario.*

**Candidate:** Well, I’d probably start by asking, “What do you mean? Are you thinking about acquiring a specific firm? Are you interested in opening one or two stores in major cities, or expanding the chain throughout the country? Are you thinking about international expansion in general?” Alternately, I might ask the chairman about the fundamental objectives he is trying to accomplish. Is he seeking an entry into international markets? Is he trying to boost revenues? Does he want to be closer to his suppliers?

» *The candidate is checking to make sure he understands WHAT the question is and that EVERYTHING is there. It’s a good idea to ask questions, but make sure they’re good ones. In case interviews, there is such a thing as a stupid question—your questions should help frame the issue and elicit more helpful information from the interviewer.*

**Interviewer:** The chairman says he wants to explore opportunities generally and that he doesn’t have a particular firm or strategy in mind. He is interested in increasing the retailer’s visibility with its suppliers, and the Chinese consumer market is growing rapidly.

» *The interviewer is directing the candidate toward a general strategy response. Therefore, the key issues will center on the firm (its strategic objectives, strengths, and weaknesses) and the opportunity (macroeconomic issues as well as the evaluation of acquisition versus startup). The candidate takes a moment to THINK, and then responds.*

**Candidate:** It sounds like a general strategy/acquisition study might be in order. Since the client doesn’t have any specific strategies or acquisition targets in mind, I’d want to start by analyzing both internal and external issues for the client.

» *The candidate starts with a general statement about a FRAMEWORK. It’s a way of checking in with the interviewer to see if he’s on the right track. If you’ve missed the boat, some interviewers will gently push you in another direction (but beware, others may let you drown!).*

**Interviewer:** Why don’t you start by telling me some of the key internal issues you’d look at?

» *The interviewer likes the candidate’s top-level internal/external framework, but is a little wary of the use of an acquisition study. He wants to make sure the candidate understands what information he needs to identify.*

**Candidate:** On the internal side, I’d want to look at four or five key things: the client’s strategic objectives for international expansion; its core strengths and
weaknesses; its existing business operations and systems, and how those might fit with entering the Chinese market; and the resources it has available for the expansion.

**The candidate EXPLAINS the issues logically and methodically. Interviewers like that.**

Candidate: Of these issues, I’d start with a look at the client’s strategic objectives for the expansion. Frankly, the first question I would ask is whether the client ought to be moving into such a different market as its first foray overseas. Why not start with a market that is closer culturally and commercially to the U.S., like Canada? Is this part of a broader diversification or internationalization strategy? Is the client just trying to use up some excess cash?

**A key challenge in many real-life consulting cases is to accurately define the right question to ask. In this response, the candidate questions the initial assumption that a market expansion is called for. An alternative approach would be to assume that the decision to move into China has been made and the consultant has been called in to make it happen. In this case, the candidate would probably want to state the assumption and move on to analyze the various internal factors he has outlined.**

Candidate: After determining its strategic objectives, I’d like to analyze any strengths and weaknesses that would be relevant to the acquisition. Does the client have a particular set of resources that make expanding into one market over another work better with its existing organization? Perhaps it already has joint ventures or sells its own branded products through different retailers in other countries. Perhaps it is really interested in having better oversight of its suppliers, and it could do this by expanding its sourcing offices or making an investment in its manufacturers. By looking at these issues, I would be attempting to establish some parameters by which to evaluate different investment options. In particular, I would be looking for areas in which the client may be able to achieve synergies or significant cost savings.

**The candidate works his way through his framework, focusing first on the issues that will yield the greatest insight. He also offers some examples, in the form of questions, to indicate the types of issues he will be looking for. Finally, he mentions how he will use this analysis to produce a recommendation for the client.**

Interviewer: What other things would you need to know to give the client your recommendation?

**Here the interviewer poses a question that could be approached in different ways. The candidate could continue to explore internal issues, or he could move to some of the more important external issues. So, which way should the candidate go? What matters is that he works logically and pays attention if the interviewer offers any hints.**

Candidate: There are still several issues on the internal side that I haven’t yet explored, such as the internal systems issues and the budget for expansion. However, for the purposes of making a recommendation to the client, some of the external issues are even more important, and I’d like to talk about some of those now.

**Here the candidate interprets the question literally and moves on to issues of primary importance in making a recommendation to the client.**
**Candidate:** On the external side, I’d want to break this into three basic pieces. The first involves taking a macro look at the current marketplace for retailers in China. What retailers are there, and are they serving customers now? For the second piece of the analysis I would find different China strategies and rank their attractiveness based on the parameters we had identified. After a broad-based look at a number of options, the third piece would involve a detailed evaluation of three or four of the most promising ways to increase the company’s presence in China.

> Although the candidate hasn’t called on Porter’s Five Forces or the 3Cs flavor of consulting framework, he has identified a logical approach to getting at the answer. In addition, he has helped his presentation by saying that there will be three pieces to the analysis and clearly stating what those pieces will be. And, he uses the conversation with the interviewer to EVALUATE his thinking.

**Interviewer:** Let’s use your approach and start with a look at the retail market in China. What specifically would you look at?

**Candidate:** Well, the Chinese market is in transition, and regulations are very different than in the U.S. I’d want to look at the regulations to determine if it’s possible for the company to enter on its own or if it needs a joint-venture partner. I’d also want to look at who the target customer would be and if those customers have enough income and interest to support the store. To do this, I would want to look at two sets of factors for the regulatory situation. [Geez, can you believe how good this guy is?] First, I’d start with a study of how other companies have entered China. How did they deal with the government? Did they have partners, or did they do it alone? Along the way, I’d want to look at American companies that failed in China to see if there were lessons the client could learn from. Then, I’d want to look at the customer base. Would the target be the same as in the U.S., or would it be higher? How many retail chains compete for that customer? Who owns them? How profitable are they? What are the key resources that give one an advantage over others?

> Again, the candidate gives a structure to his response. “First … Then …” This helps the listener follow the presentation. Also, he identifies a number of areas of potential concern: underlying economics, regulatory issues, and competitive rivalry.

**Interviewer:** How would you go about getting that information?

**Candidate:** Well, I’d probably start by seeing if there were any internal resources that might contain some of that information. It’s possible that somebody within the organization might have researched the same topic for another study or might be familiar with business practices in China. Beyond that, I’d probably look at outside resources that provide the kind of information we needed. I’d want to look at news stories to get insight on what other retailers have done in China. I’d check with the U.S. government to see if it has information for American companies that do business in China, and I’d check with Chinese trade organizations to see if they have similar information. Then, I’d want to talk to experts or to noncompetitive firms that have been successful in China.

> The candidate starts by looking as close to home as possible because that’s usually the cheapest and easiest source of data to access. It also shows that the candidate is thinking about the entire firm, not just his job. He also seems to be aware of many of the favorite resources for consulting studies. Most importantly, he
hasn’t suggested any ideas that would be completely unfeasible, such as interviewing the secretary of state or the Chinese ambassador to the U.S.

Interviewer: Okay. You’ve collected a pile of information about three or four different options that the company could pursue. How would you finally choose among them?

Candidate: I’d want to go back to the initial parameters I developed after looking at the internal factors. In particular, I’d want to see which opportunity seemed to offer the best fit with the client’s long-term business strategy and organization. In particular, I’d want to see evidence that moving into China would bring some source of competitive strength to the client, whether it’s in terms of market access, or in terms of long-term growth opportunities that might help the company offset slow growth in the U.S. I think I’d also want to assess the risks involved with each option.

Interviewer: Oh? What types of risk would you look at?

Candidate: Well, a key risk in China is political. The country’s economy has grown very rapidly, and that’s created dislocation. I’d worry that political upheaval would lead to foreign businesses being shut down or taken over. There’s also currency risk, although generating revenue in China would offset the company’s exposure to the Yuan when it’s buying its inventory. In addition, we’d also want to look at other risk categories such as management risk, technology risk, and product risk.

General Summary Comments
This was clearly a question about business strategy. In his answer to the question, the candidate identified a few simple frameworks and structures that helped him touch on a number of issues associated with the problem. He also did a relatively good job of letting the interviewer know where he was and what was coming next.

CASE QUESTION 3
The president of the campus activities board comes to you for advice. After losses last year, the group spent money advertising to the off-campus community, and ticket sales at events increased. But the group lost money again this year, and campus administration is threatening to shut it down. What might be going on?

Background
This is a business operations problem of the declining-profits variety. In this one, the interviewer is looking for your ability to apply your business intuition in.chasing down the answer to the problem. This question would
be appropriate for undergrads as well as MBAs and advanced-degree candidates.

**Suggested Response**

**Candidate:** There are a variety of things that could cause revenue to go up while profits went down. I’m not sure which is the most likely, so the first thing I’d like to know is whether there were any other unusual expenses during the year. Did the advertising expenses go up more than ticket sales did? Was there a write-off of some sort? Was the activities board dealing with expenses carried over from a previous period? Did it pay money to attract big-name entertainment? Did it hire additional labor at a premium or pay overtime to serve all those additional customers?

**Interviewer:** No, there weren’t any extraordinary expenses in the year, and the ticket sales offset the advertising increase. No change in what it paid the performers, no acquisitions of new equipment. What else could have happened?

**Candidate:** Well, if there weren’t any unusual expenses, I’d want to look at the other pieces of the cost and revenue equation. On the revenue side, we assume that ticket sales volume went up as a result of the advertising. Since the total equals the price times the quantity, I wonder if the prices the activities board charged for its event tickets went down. Did it change its pricing structure?

**Interviewer:** No, the prices remained the same.

**Candidate:** Then we need to continue looking at the other pieces of the cost and revenue equation. You said there weren’t any extraordinary expenses, but what about changes in the normal expenses of the operation? Did product costs go up? Did security, utilities, or trash-removal costs go up as a result of increased volume? Were venues damaged during the events?

**Interviewer:** No, these all remained relatively stable on a per-unit basis.

**Candidate:** Something clearly changed from the previous quarter. Since we’ve ruled out changes in prices and significant changes in expenses, then there was something else going on. We know that sales went up. We also know that customer flow went up and that the activities board was able to attract more attendees. Therefore, it’s possible that this new customer group...
was different from traditional customers. One strong possibility is that they were spending money differently when they attended the events. If they were coming from off campus, they may have stopped in the bars on their way because they could not purchase alcohol on campus. This may have led to a decline in sales of soft drinks and other concessions.

The candidate has systematically worked her way toward a possible explanation. By thinking out loud, she reveals that she didn’t immediately know the answer. (It’s okay to not know the answer right away!) However, she has demonstrated a logical approach to problem solving and hypothesis testing that will be useful as a consultant. She continues to EVALUATE her answer.

Interviewer: That’s correct. There was a new type of customer with a new purchasing pattern. But what does that tell you about profits?

Candidate: I would assume that many of the new customers shunned the concessions, and that the activities board kept a cut of the concessions. Therefore, the revenue mix during the year probably changed. Since we know there weren’t any extraordinary expenses, and since we know profits went down, we have to assume that the activities board made more money from concessions at events than from ticket sales. So, it either needs to find a way to beef up its concessions to make them more attractive to new customers, or it needs to further increase ticket sales.

Interviewer: Bingo!

General Summary Comments

Many case interviews will ask about a situation in which profits are declining. Although many of these questions may be more complex than this one, it’s a good idea to keep the cost and revenue equations foremost in mind as you work your way through them. In this case, a change in the revenue mix was the key. Another typical problem may deal with fixed and variable costs. You have many options for solving cases, as long as they are logical.

CASE QUESTION 4

How many pairs of socks do Americans go through in a given year?

Background

No consultant wannabe can expect to cruise through the case gauntlet without skirmishing once or twice with the old market-sizing question. Typically, these questions take the form of “How many grocery stores are there in the U.S.?” or “How would you figure out the market for tricycles?” Short, sweet, and easily dispatched, these questions will often serve as a warm-up question for a more lengthy case. Alternatively, they might be hidden within the context of a larger strategy-type question, during which the interviewer will ask the candidate to discuss how he would estimate the market size for a particular product. Market-sizing questions like this one could be used for undergrads, MBAs, and advanced-degree candidates.

In any case, when the interviewer throws you a market-sizing question, she is trying to check you out on a couple of things. First, she wants to see how you react to numbers. It’s not necessary that you be the next math-jock superstar, but, if you can’t think through a few simple BOE (back of the envelope) addition/subtraction/division types of operations, or at least recognize the need for them, you may face some tough sailing in the consulting world. Even more important, the interviewer wants to see if you
can identify what you need to know, make a set of realistic assumptions, and come up with a solution.

**Suggested Response**

**Candidate:** Pairs of socks! Is that the rate that people buy them, or the rate that they wear them? And are we including all forms of hosiery, or just socks?

> *The candidate starts by making sure he understands WHAT the question is, because even one that seems straightforward can have nuances that take you down the wrong path.*

**Interviewer:** The number of socks, and only socks, that people buy each year.

> *It seems that now, EVERYTHING is here, so now take a moment to THINK.*

**Candidate:** There are about 300 million people in the U.S. Let’s assume that 20 percent of these are children, and then the remaining 80 percent can be split between men and women. I’m dividing the population into these categories because people wear socks differently.

> *Here, the candidate has set up a FRAMEWORK by dividing the population into different sock-wearing categories. Remember, a framework doesn’t have to be a brand-name, trademarked system with a clever mnemonic. It just has to be a reasonable way to set up a solution. The candidate also chooses numbers that seem reasonable and that he can easily work with in his head.*

**Interviewer:** What do you mean, wear them differently?

**Candidate:** Well, men wear socks every day for the most part, but women might wear pantyhose or no socks instead. Children lose socks, and they outgrow them, so they probably go through more socks in a given year than an adult.

So let’s say that men need about two dozen socks per year, women about one dozen, and children three dozen.

> *The candidate EXPLAINS what he’s thinking. And at this point, he pulls out a piece of paper and jots a few figures:*

20 percent of 300 is 60. 60 times 36 is 2,160. So, children need 2.2 billion pairs of socks per year.

40 percent of 300 is 120. 120 times 24 is 2,880. So, men need 2.9 billion pairs of socks per year. Women go through half of this, so they need about 1.5 billion socks pairs of socks per year. Add that up, and Americans need 5.6 billion pairs of socks annually. Does that sound reasonable?

> *The paperwork is acceptable and helps the candidate EVALUATE the answer. This isn’t a consulting case, so the candidate can’t TAKE ACTION with a recommendation. The interviewer may give another case, or the candidate can turn around and ask the interviewer about the types of market-size engagements the firm has.*

**Interviewer:** Sure, that answer works.

> *If the interviewer doesn’t ask a question, then he is waiting for you to say something.*

**Candidate:** How do you use market-size information at your firm? Do clients ever ask you to estimate markets, or do you need to estimate market sizes as part of bigger problems?

**Interviewer:** Well, we usually do market estimation as part of our strategy advisory services. Many clients hire us for help in determining how to allocate their research and development budgets, for example.
Candidate: That sounds fascinating. As an engineering major, I would enjoy working on research and development projects.

Interviewer: That’s great to hear. Well, we seem to be out of time, so thank you so much for stopping by. We will get back to you with a decision about a second interview within two weeks.

*The interview isn’t over until it’s over!*

**CASE QUESTION 5**

You are assisting a national discount department store chain that has been attempting to diversify its business lines outside of the traditional retailing business. Unfortunately, it has been unsuccessful in a number of new ventures, including real estate, financial services, and online sales. This time, the client is considering an opportunity to expand into grocery sales. The attractive features of this industry include:

- Relates well to the company’s core retailing expertise
- Overlap between the distributors serving discount department stores and grocery stores
- Large potential demand—customers need to buy groceries
- Customer value is high; they can get more done in one stop

The Question: Is this a good opportunity? What do we need to know to assess the opportunity?

Background

It’s an industry strategy question of the new-opportunity variety. The interviewer here has given the candidate more complex information about a particular case and wants the candidate to analyze the opportunity. Since this involves a new business opportunity, there will be relevant issues both on the company side and on the market or opportunity side. The key is to choose a good framework and start sorting through the issues.

MBAs would probably be the most likely to receive this question. However, undergrads and advanced-degree candidates might receive a pared-down version.

**Suggested Response**

Candidate: Well, a few issues pop out to me. I need to help the client determine if the grocery business is a good one to be in, so I’d need to find out about the underlying economics. Then I’d need to see if this is a good industry for the client to enter, and that mostly depends on the company’s strategy. It also depends on whether the client can bring a competitive advantage to the grocery business. And, we know this client has failed at other businesses, so there’s another question here: Is the company capable of handling new business ventures? It may be that the organization isn’t set up for these changes, and that might have to be addressed first.

*The candidate sees several issues in the case, and by listing them, he hopes to get a hint from the interviewer as to WHAT the key question is. And if the interviewer doesn’t help, he still gets credit for setting up some logical approaches to a complex situation.*

Interviewer: Why don’t you start by looking at the industry.

*A hint! Excellent! That’s one way to make sure you have EVERYTHING.*

Candidate: All right. First, I want to think about the supply and demand. Everybody needs to buy groceries, but there are grocery stores in every market. It’s one of those basic infrastructure needs in a community. Given that supply and demand are already matched, I’d want to find out if the customers had unmet needs that they would pay for, and one way to do that would be focus groups or surveys.

Interviewer: But this is a strategy recommendation.
Uh-oh. The interview is going off track. The candidate needs to take a moment and THINK of what to do next in order to get back to a business case that makes sense.

Candidate: Of course. That would have to be part of the later-stage evaluation of this business decision. At this stage, an industry overview would include the power of the suppliers, the strength of the buyers, the barriers to entry, the availability of substitute products, and the rivalry among the firms in the industry.

Interviewer: Porter’s Five Forces.

A recovery. Hurray! And now, a FRAMEWORK to help think of the industry issues.

Candidate: Yes. So the suppliers would be the food and consumer products manufacturers. Customers want to buy specific brands, and this gives the suppliers a lot of power. The client must have the products customers want or it will fail in the grocery business. However, it may be dealing with some of these companies already. The buyers, on the other hand, are relatively weak. They want to get everything on their list in one trip, and at low prices, but they don’t have many options where they can get everything on their list. They aren’t powerless, though. They can compare prices in advertisements, and they’ll take their business to other stores if they think they’re getting something special—to Whole Foods or Trader Joe’s, for example.

Interviewer: Okay, what else?

Candidate: The barriers to entry in this market seem high. Most of the big grocery chains have been consolidating, which may indicate that it’s easier to buy customers than find new ones. Although everybody needs to buy groceries, everybody already has a place to buy them, so the client should consider the challenges of entering the business and getting customers to switch. It is possible that customers would switch for niche products, low prices, or convenience, but if they did not find what they wanted, they would switch back.

There’s another barrier to entry that may need consideration. Discount department stores are often in the same retail centers as supermarkets, so the client’s leases may prohibit it from competing directly with the other tenants. If that’s the case, it might end the discussion right here.

Interviewer: That’s a good point, but assume that the client is free to enter the grocery business if it wants to.

Candidate: Okay. So then we have to think about substitute products. There aren’t any substitutes for food, but there are substitutes for grocery stores. These include farmers’ markets, personal and community gardens, warehouse clubs, and convenience stores. But if you consider that grocery shopping is a chore, the substitute commodity isn’t other stores; it’s the customer’s time and all the ways they can spend it. If the discount retailer can offer convenience, it may be able to form a significant advantage. That, it seems to me, is its competitive advantage.

Interviewer: So they should enter the grocery market.

Candidate: If they do, it’s fair to say that the big players will respond. The grocery business is an oligopoly, which would indicate little rivalry but little market opportunity. Still, the big players might see the client’s entry as a threat, and they might start to cut prices or increase service levels to scare the client off. The business has low margins, so it’s difficult for new entrants to make money without huge economies of scale. I think this would be a difficult business for this client to enter. We know that the client doesn’t do well with new business ventures, that the grocery business has established competitors that will retaliate, and that it has customers who already have places to buy all of their food items as well as niche vendors for specialty items.
The candidate is explaining his answers methodically, and that's good.

Interviewer: Okay, so if the client shouldn't enter the grocery business, what should it do?

Here the interview changes direction. It's time to evaluate the case and see where you stand.

Candidate: Well, we need to think about its competitive advantages. Why do customers go to this store? Is it a low-price leader? Does it have brands that customers want? Does it have private-label products that customers find interesting? Does it offer good customer service?

Interviewer: The client isn't sure. That's why we've been hired.

Candidate: If the client isn't sure, then I'd recommend that we conduct focus groups, take some surveys, and perform market research to find out what the customers want, what they like and don't like, and what the competition offers. Then we can make a recommendation based on data.

Okay, a take action solution. Whew! Time to wrap up, shake hands, and get out of there!

Case Question 6
A record label is facing a dramatic downturn in business due to the rapid increase of music downloading and independent CD production houses. What should it do?

Background
This question calls for the candidate to help determine strategic direction in the face of environmental change. As a result, it will be important to look at what's going on in the marketplace as well as what the company is set up to do. An effective answer will offer a strategy that fits well with the company's resources and objectives.

This question could be asked of undergrads, MBAs, or advanced-degree candidates. It would probably be most common in MBA interviews.

Suggested Response
This client is facing a seismic change in its business. Its old capabilities and competencies no longer apply; the issue is change or die. That makes for a fun interview question—and a high-stakes engagement for the consultants brought in to make recommendations. So here's how the conversation might go:

Candidate: Wow, that's a grande cup of coffee. Does the client have something in mind, or is it willing to consider anything? Does it have partnerships or a corporate parent that should be considered?

The candidate starts by making sure she knows what the question is, and to see if everything is there.

Interviewer: Well, the client is an independent company that has traditionally grown through acquisition, and it's hired us in the past to do just that.

Ah, now that information narrows the focus of the question, and turns it from a blue-sky exercise into a more run-of-the-mill business strategy case—one with high stakes, to be sure, but one with some focus. It's time to think. What are the price and quantity factors in the market? What have competitors been doing? Does the company have capabilities that can be applied to a different business? Does it need new capabilities to stay in this business? Does it make sense to get out? You need a framework. Thinking about who influences whom, you could start by looking at industry structure, the competitors, and the company itself. That's an orderly way to figure out what's happening in a complex situation.

Candidate: I'd like to start by thinking about the market situation, the competitors, and then the
company's situation. If you think about the market, the consumer buys the artist, not the record label. The company’s situation, instead, is how to adapt its recording, marketing, and distribution capabilities for the new market.

**Interviewer:** But you didn’t mention the competitors.

**Candidate:** Given that market structure, the client’s traditional competitors are similar companies with similar problems. I think we can dismiss those firms as threats unless they come up with a groundbreaking new strategy. I’m sure they’re hiring consultants, too, and we’d obviously have to stay on top of market intelligence in order to help the client. But the real competitors, the ones we need to respond to, are the very factors mentioned in the case: downloads, both legal and illegal, and artists choosing independent production houses. Many artists and listeners don’t feel that traditional record companies are meeting their needs. When you have big innovation in a market, you need to respond to that, not to traditional competitors.

**The candidate EXPLAINS** point by point why he isn’t analyzing the traditional competitors and he’s working methodically through the issues. That way, the interviewer can follow his arguments.

**Interviewer:** Interesting. Is the company in a position to respond?

**Candidate:** Well, that’s the issue, isn’t it? Although the market is changing, a traditional record company has gotten where it is by having some capabilities. It knows how to manage recordings, distribute products, and promote artists. It knows how to work with record stores, radio stations, and the entertainment press. Some of those skills are transferable to the new market environment. In addition, this company knows how to make acquisitions, so it may be able to acquire the skills it needs in the new market. With that analysis of the market situation, I’d like to move on to some recommendations, unless there is something else I need to consider.

**The EVALUATION phase. The candidate has set forth an industry analysis that lets him start to think of recommendations, but he’s checking to make sure the interviewer is satisfied, and to see if the interviewer has any other facts or hints he can use. Also, asking a question gives the candidate a moment to catch his breath and think.**

**Interviewer:** No, I think that’s good for now. What do you recommend?

**Candidate:** I see three alternatives. The first is to acquire a music download business, not iTunes, but one of the smaller ones, like eMusic. This is a client that makes acquisitions, so it would fit some internal capabilities. It may hurt its physical music sales, but that business is dying anyway. Second, the company could find ways to offer its production and promotion services on an à la carte basis, in effect going into the artist management business. This might be a big cultural change, but it would let the company generate revenue for things it already does well, and it could help struggling musicians develop the expertise they need to tour and sell records on their own. Third, the client could decide to acquire its competitors so that it has more control over the traditional music business. This market is shrinking, but if the client has a larger share and generates good economies of scale, it may be able to maintain its cash flow. Then, when the market settles down, it can make acquisitions that let it move in a new direction.

**The candidate TAKES ACTION. And we’re done, right? No, we’re not! This candidate has a 45-minute interview slot, not a 30-minute one, so the questions keep coming.**

**Interviewer:** The client has developed software for recording music that’s more robust than the usual
consumer packages. It is considering licensing the system to small recording studios, like those used by musicians in their basements. What do you think of that opportunity?

**Candidate:** Are you asking about the market size or about the competitive nature of the business?

>> Ah, back on track: WHAT’s the question? And then we go right back into a basic market-sizing question: How many musicians are there? How many of them might want to have studio capabilities? What value would they receive from the software, and so on? The next step is to simply apply the WetFeet Way to the new question at hand.

**General Summary Comments**

There are a number of variations on the record company question that might come up in the case interview. What happens when a new foreign competitor comes into the industry? How do you respond to a big and sudden change in consumer tastes? The key to answering these questions is to look at what is happening in the marketplace as well as how the client is prepared to respond. Again, you don’t have to come up with the best strategic game plan for the company. After all, you only have about 15 minutes to examine a complex set of issues. However, the interviewer will be looking for you to approach the problem in a way that will lead you to a good answer. In addition, he’ll also be looking to see how creative you can be as you think about responding to a changing marketplace. This is a little bit different from questions that ask you to tell an imaginary client how to do a better job of what they’re already doing.

**CASE QUESTION 7**

A medical supply company works with dealers in South America, but it is considering developing its own distribution network. What does the company need to consider?

**Background**

Supply chain questions touch on strategic, operational, and financial issues, so they are good stand-alone questions. Getting a product from a blueprint to a customer’s location isn’t easy; much can go wrong, alienating everyone involved. Don’t have enough materials? Then you can’t meet demand. Have too much inventory? Then your cash flow is damaged. Ship early and you might screw up your customer’s cash flow. Ship late and the customer might not need the product anymore. And every step of the way, there’s a cost incurred. That’s why companies often bring in consultants and use lots of technology to help them work out all of the logistics required to make a supply chain work—and why you might get a supply chain case if you’re interviewing with consulting or technology firms.

**Suggested Response**

**Candidate:** The client is thinking of building a distribution network, so I’d want to start by finding out how much experience the client has in South America and with building distribution networks, because the transition to a new distribution system in a new region can be disruptive.

>> Here, the candidate asks WHAT the question is, and at the same time, he checks to make sure that EVERYTHING is there.

**Interviewer:** The client has been in Latin America for years. In some markets, it is outgrowing its network of dealers, but it might acquire the dealerships in other countries. It already controls its own distribution networks in the U.S., Canada, and Europe.
The candidate takes a moment to THINK. A move like this must have costs and benefits to both the client and the customer, right? And somehow, goods must get to and from a warehouse and off to the customer. So there it is, a simple FRAMEWORK to organize the answer.

Candidate: All right, then. First I’d want to look at the client’s perspective, then the perspective of the client’s customers. I’d need to consider the client’s transportation costs: What does it cost to get products to the distribution center, and what does it cost to ship from the distribution center to the client? Then I’d want to consider the client’s costs to stock and operate the warehouse. The inventory investment can be significant, especially in the early stages, so I’d need to consider the company’s cash-flow situation. Then, from the customer’s perspective, I’d want to find out how this helps them. If the company has its own distribution network, will it lead to lower prices? Will it lead to better delivery times? And can the company offer better service than its dealers do? All of these factors would affect the value of the company’s distribution network.

Candidate: The client should choose the network that meets its needs best! I know that’s a flip answer, but it would depend in large part on what the client’s priorities were. Should I go through how the client would evaluate those?

Candidate: In order to solve this question, I’d want to start collecting data. I’d want to see if the client or the firm had done research on transportation costs, especially the infrastructure within South America. If not, I’d go to the Commerce Department or the trade commissions of the different countries to see if they had information that would help. I’d also ask the client for information on the inventory requirements needed to maintain its service levels, and how important that is to customers. Will a delay of a day or two affect the client’s operations significantly? I might need to do some competitive research, to see what the industry norms are. It might also be helpful to know the effect of inventories on

Interviewer: Well, you already listed some of the client’s considerations. This client wants to maintain service levels. Its standard is next-day delivery, and it would like to do that as cost-effectively as possible.

Interviewer: Okay, now with that in mind, the client has two options. One is to build its own distribution network with three locations, one each in Brazil, Argentina, and Venezuela. These would serve 25 satellite warehouses in major cities throughout the continent, with the satellites directly serving the customers.

The second option is to acquire the largest dealers, which would give the company four distribution centers in Brazil, two in Argentina, two in Chile, and one each in Venezuela, Colombia, and Peru. These eleven locations would serve the continent, with no satellites.

What should the client choose?

We’re back to the beginning. As the interviewer adds parts to the case, the candidate has to keep going back through the basic process. That’s why this candidate is checking on WHAT the question is, and to see if EVERYTHING is there.
the company’s cash flow, and I could probably get that from the company’s balance sheet.

Interviewer: It happens that I have some of that data here. Would you like it?

Data? Of course! Many larger consulting firms prepare cases for their interviewers to use, and often, the interviewer has an extensive data set available—but only if you ask for it. This candidate got lucky with a generous interviewer. Obviously, you won’t get credit for starting off your analysis with “Don’t waste my time, just give me what you have.” You should show that you need it to help your case along. Had our candidate panicked and launched into a rambling analysis of weather, mountains, and stranded soccer players forced to resort to cannibalism, the interviewer probably would have sat back and let him go. Instead, the candidate stayed collected enough to show that data was needed. That way, if the interviewer has data, she might produce it; if she doesn’t, the analysis can proceed because there’s a starting point for assumptions and analysis—a FRAMEWORK!

Candidate: Why, yes, I would like it, thank you.

Of course, this raises the stakes. The candidate now has a lot more work to do! The interviewer passes over a handout that looks like this. (Please see the table at the bottom of the page for this data.)

Interviewer: You also need to know that a distribution center is 10,000 square meters and a satellite is 500 square meters, and the capital cost to build and stock both is $50 per square meter. The annual operating cost for both is $25 per square meter.

The candidate gets out a pen, looks at the numbers, and starts to THINK. Okay, you have three sets of costs, the initial investment, the annual warehouse operating costs, and the annual transportation costs. And that’s a FRAMEWORK for this financial analysis.

Candidate: I’d like to look at three sets of costs, the initial investment, the annual warehouse operating costs, and the annual transportation costs. If the client builds, there will be three regional distribution centers and 25 satellites. For the regional distribution centers at 10,000 square meters each, you have a total of 30,000 square meters, and at $50 per square meter, that makes a total cost of $1.5 million. Then you have 25 satellites and...
at 5,000 square meters, for a total of 125,000 square meters, times the $50 square meter cost, and that works out to, let’s see, $6.25 million. So the total for that is $7.75 million.

Candidate: So that brings us to the transportation costs. The costs from the distribution center to the customer are the same in either case, but the first option adds a layer of costs to get products from the distribution center to the satellites. So we can calculate those and determine where they stand relative to the investment.

Interviewer: Yes. So what next?

Candidate: It costs about $30 million more to buy than to build. Given the incremental operating cost of the new warehouse network, it would take about 20 years for buying to be cheaper. Based on these numbers, I’d recommend that the client go ahead and build its own distribution network in South America.

Interviewer: Ah, after all that, our hero TAKES ACTION! Whew! It doesn’t matter if one option is clearly better than another, the interviewer wants you to go through the whole case methodically. Remember, consultants often sit in meetings where clients say illogical things or latch on to certain ideas because they’re not seeing the total picture. A bad consultant says, “That’s stupid, and let me tell you why.” A good consultant says, “Hmm, that’s interesting, let me run through it and see how that...
might work.” Consulting and consulting interviews are all about showing your work.

**General Summary Comments**

Some firms have complicated, prewritten cases for their interviewers to use. That doesn’t mean there is a predetermined answer, but in many cases, the solution is clear if you take the time to think through the issues. Without other information, you have one solution to this case. However, this interview may include even more steps in the analysis. You might get a multilayered case on a second interview, when the firm has decided to invest more time in checking you out.

### WHAT TO DO WHEN THINGS GO WRONG

› **DESPITE YOUR** best efforts to avoid getting in trouble during your consulting interview, you will occasionally find yourself far along a dead-end path. The quickest way out of this situation would be to stand up and leave the room. But don’t do it! There are ways to recover, and doing so will prove you have some resiliency and can recognize that you’re headed in the wrong direction. Your interviewer isn’t looking for the correct answer. Instead, she’s looking to see how you solve problems. You may be able to recover some lost ground by taking a few simple steps. We asked our consulting industry insiders what a candidate can do when he suddenly realizes he’s become mired in the La Brea Tar Pits of consulting interviews.

Here are their tips:

- **When you’re really uncertain about a question, try to find an answer (or at least get partial credit) through the process of elimination.** For example, you might say something like, “Possible approaches to a problem like this would be to look at X, Y, and Z. However, for the following reasons, I don’t think those lines of inquiry will produce the ultimate solution.”

- **When you run out of ideas halfway through your answer, pause, take a breath, and say, “I’d like to take a minute to think this through.”** Take that breath, collect your thoughts, and write down a few notes if necessary before starting back into the case.

- **If you feel your wheels starting to spin, be honest and give yourself a moment to back up a few steps—while explaining what you’re doing,** of course. You might say something like, “As I’m working through this, I know I’m starting to get into too much detail. I think the major issue for the client on this front is X. In addition, I know we still need to talk about costs and revenue, and I’d like to discuss those areas before time runs out.”

- **Tell the interviewer you misinterpreted the information and explain why you now think your response has missed the mark.** Say that you think another approach would be a more productive path to the solution, and state what that approach would be.

- **Say, “I’m sorry. Is this a consulting interview? I must have gotten here by mistake. I’m actually supposed to be meeting with Goldman right now.”** A little humor and lightheartedness can diffuse many a tense situation.
For Your Reference

Recommended Reading ............ 64
WetFeet Resources .................. 65
**RECOMMENDED READING**

**Competitive Strategy: Techniques for Analyzing Industries and Competitors**

In case you missed it in your B-school strategy course, you may want to give Mike Porter a glance. Don’t sweat all the details—the practicing consultant who could quote Porter is a real anomaly. Instead, focus on the main points of industry analysis. Porter’s first couple of chapters do a good job of introducing his way of picking apart an industry. If you’re particularly enamored of one area or another, you can always read further. The Porter book will give you a sense of some of the types of analysis and thinking that consultants are required to do on the job. If you like this stuff, consulting may be a good fit.

Michael E. Porter (The Free Press, 1980)

**Contemporary Strategy Analysis**

This is the leading alternative to Porter these days. It’s well written and contains a clear approach to firm analysis with an international perspective. The text is heavy on the economics, so it might scare off readers who don’t have that background. On the other hand, it considers culture and norms, which are too often overlooked when a consultant wants to recommend radical organizational changes.

Robert M. Grant (Blackwell, 2007)

**The Innovator’s Dilemma**

Traditional management theory assumes that as long as companies keep doing everything right, they’ll be in business forever. It doesn’t consider what happens when a disruptive technology enters the market and captures customers’ imaginations. This book talks about the problem so that managers—and consultants—understand what they face and what they can do about it. This is a must-read if you’re interviewing for jobs with consulting firms that specialize in strategy, and it’s not a bad idea for any consulting candidate to check it out.

Clayton M. Christensen (HarperCollins, 2003)

**Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter**

Modern business is international business. A key fallacy is assuming that we’re all alike under the skin—our differences are much deeper than how people in different countries handle business cards or arrange seating at a business meeting. Ghemawat concentrates on how businesses can assess cultural, administrative, geographic, and economic differences in order to increase the chances of success when operating across borders. No matter what firm you interview with, don’t be surprised by international questions. If you don’t feel strong on the subject, consider reading this book.

WETFEET RESOURCES

› WETFEET HAS MORE books in this series, including *Ace Your Case*® II: Mastering the Case Question; *Ace Your Case*® III: Market-Sizing Questions; *Ace Your Case*® IV: Business Strategy Questions; and *Ace Your Case*® V: Business Operations Questions. These are the perfect complements to *Ace Your Case*®, with fifteen full-length case questions and answers. For additional practice, get the *Wharton Case Interview Study Guides Volumes I and II*, all available at www.wetfeet.com.

WetFeet.com offers a number of online case interviewing resources at:


WetFeet also offers a number of Insider Guides on top consulting firms. Go to www.wetfeet.com.
The WetFeet Story

WetFeet was founded in 1994 by Stanford MBAs Gary Alpert and Steve Pollock. While exploring their next career moves, they needed products like the WetFeet Insider Guides to guide them through their research and interviews. But these resources didn't exist yet—so they started writing! Since then, millions of job seekers have used the WetFeet Insider Guides and WetFeet.com to research their next career move.

In 2007 WetFeet became part of Universum Communications, the global leader in employer branding. Thanks to the integration of WetFeet into the Universum group, WetFeet products are now used by job seekers all over the world. In addition to our Insider Guides and WetFeet.com, we produce WetFeet magazine, which features career advice tailored to undergraduate students.

The WetFeet Name

The inspiration for our name comes from a popular business school case study about L.L. Bean, the successful mail-order company. Leon Leonwood Bean got his start because he literally got his feet wet: Every time he went hunting in the Maine woods, his shoes leaked. One day he set out to make a better hunting shoe, doing such a good job that his friends lined up to buy pairs of the boots. And so L.L. Bean was born.

The lesson we took from the Bean case? Well, it shows that getting your feet wet is the first step toward achieving success. And that's what WetFeet is here for: To help you get your feet wet and take the right steps toward ever-greater career goals, whatever they may be.
The most dreaded part of the consulting interview: the case! Like it or not, if you’re hoping to get a job in management consulting, you will have to learn how to handle the case interview. Although different firms and interviewers vary in their approaches to the case question, all of them use it as an important tool in selecting and screening job candidates. Indeed, you may have to clobber as many as ten or more cases on the way to landing a job with a major consulting firm. Fortunately, by studying up on the case process and honing your case interview skills through practice, you’ll soon be able to impress interviewers with your explanations, frameworks, and graph-drawing skills.

This best-selling WetFeet Insider Guide provides

- An in-depth exploration of consulting interviews, what to expect, and how firms use cases differently
- Tips on surviving the case interview, keeping your cool, and impressing the interviewer
- An explanation of the different case types, classic examples of each, and what your interviewer is looking for in your answers
- Step-by-step lessons on how to attack the case question, from developing frameworks and recovering from mistakes to using industry lingo
- Seven sample case questions you can use to practice your new skills
- Detailed examples of how to answer each type of case question, including key talking points and sample interview scripts

WetFeet has earned a strong reputation among college graduates and career professionals for its series of highly credible, no-holds-barred Insider Guides. WetFeet’s investigative writers get behind the annual reports and corporate PR to tell the real story of what it’s like to work at specific companies and in different industries. www.WetFeet.com

ISBN 978-1-58207-939-4
$ 27.95 U.S.